*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*

*This announcement does not constitute an offer to sell or the solicitation of an offer to buy any securities in the United States or any other jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. The securities referred to herein will not be registered under the Securities Act, and may not be offered or sold in the United States except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act. Any public offering of securities to be made in the United States will be made by means of a prospectus. Such prospectus will contain detailed information about the company making the offer and its management and financial statements. The Company does not intend to make any public offering of securities in the United States.*

*The communication of this announcement and any other document or materials relating to the issue of the Notes is not being made, and such documents and/or materials have not been approved, by an authorized person for the purposes of section 21 of the United Kingdom's Financial Services and Markets Act 2000, as amended (the "**FSMA**"). Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the United Kingdom. The communication of such documents and/or materials as a financial promotion is only being made to those persons in the United Kingdom who have professional experience in matters relating to investments and who fall within the definition of investment professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Financial Promotion Order**")), or who fall within Article 49(2)(a) to (d) of the Financial Promotion Order, or who are any other persons to whom it may otherwise lawfully be made under the Financial Promotion Order (all such persons together being referred to as "**relevant persons**"). In the United Kingdom, the Notes are only available to, and any investment or investment activity to which this announcement relates will be engaged in only with, relevant persons. Any person in the United Kingdom that is not a relevant person should not act or rely on this announcement or any of its contents.*

sunac 融創中國

**SUNAC CHINA HOLDINGS LIMITED**

**融創中國控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 01918)**

# OVERSEAS REGULATORY ANNOUNCEMENT

This overseas regulatory announcement is issued pursuant to Rule 13.10B of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

References are made to the announcements of Sunac China Holdings Limited (the "**Company**") dated 8 January 2020 and 22 January 2021 (the "**Announcements**") in relation to the issuance of US$540 million 6.50% senior notes due 2025 and US$600 million 5.95% senior notes due 2024 (collectively, the "**Original Notes**"). All terms used herein have the same meanings as defined in the Announcements, unless otherwise defined.

On 25 February 2021, the Company, in addition to the Original Notes, issued additional US$552 million senior notes including (i) US$210 million 6.50% senior notes due 2025, with an effective rate of 6.30%; and (ii) US$342 million 5.95% senior notes due 2024, with an effective rate of 5.85%, which were consolidated and formed a single series with the respective Original Notes (collectively, the "**Additional Notes Issue**").

Please refer to the attached offering memorandum dated 25 February 2021 in relation to the Additional Notes Issue (the "**Offering Memorandum**"), which is available on the website of Singapore Exchange Securities Trading Limited.

The posting of the Offering Memorandum on the website of the Stock Exchange is only for the purpose of facilitating equal dissemination of information to investors in Hong Kong and compliance with Rule 13.10B of the Listing Rules, and not for any other purposes.

The Offering Memorandum does not constitute a prospectus, notice, circular, brochure or advertisement offering to sell any securities to the public in any jurisdiction, nor is it an invitation to the public to make offers to subscribe for or purchase any securities, nor is it calculated to invite offers by the public to subscribe for or purchase any securities.

The Offering Memorandum must not be regarded as an inducement to subscribe for or purchase any securities of the Company, and no such inducement is intended. No investment decision should be based on the information contained in the Offering Memorandum.

By Order of the Board
**Sunac China Holdings Limited**
**SUN Hongbin**
*Chairman*

Hong Kong, 3 March 2021

*As at the date of this announcement, the executive directors of the Company are Mr. SUN Hongbin, Mr. WANG Mengde, Mr. JING Hong, Mr. CHI Xun, Mr. TIAN Qiang, Mr. SHANG Yu, Mr. HUANG Shuping and Mr. SUN Kevin Zheyi; and the independent non-executive directors of the Company are Mr. POON Chiu Kwok, Mr. ZHU Jia, Mr. MA Lishan and Mr. YUAN Zhigang.*

# IMPORTANT NOTICE

## NOT FOR DISTRIBUTION IN THE UNITED STATES

IMPORTANT: You must read the following before continuing. The following applies to the offering memorandum (the "offering memorandum") following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of this offering memorandum. In accessing this offering memorandum, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES REFERRED TO IN THIS OFFERING MEMORANDUM HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION, AND MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

The offering memorandum is not a prospectus for the purposes of the European Union's Regulation (EU) 2017/1129.

**PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The New Notes (as defined in the offering memorandum) are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU, as amended ("MiFID II"); or (ii) a customer within the meaning of Directive (EU) 2016/97, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014, as amended (the "PRIIPs Regulation") for offering or selling the New Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the New Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

**Prohibition of sales to UK retail investors –** The securities are not intended ot be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retain investor in the United Kingdom ("UK"). For these purposes, a retail investor means a person who is one (or more) of (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("EUWA"); or (ii)a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "UK PRIIPs Regulation") for offering or selling the New Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the New Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

**MIFID II product governance/Professional investors and ECPs only target market –** Solely for the purposes of the manufacturer's product approval process, the target market assessment in respect of the securities has led to the conclusion that: (i) the target market for the securities is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "MiFID II"); and (ii) all channels for distribution of the securities to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the securities (a "distributor") should take into consideration the manufacturer's target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the securities (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

**UK MIFIR product governance/Professional investors and ECPs only target market –** Solely for the purposes of the manufacturer's product approval process, the target market assessment in respect of the securities has led to the conclusion that: (i) the target market for the securities is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("COBS"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("UK MiFIR"); and (ii) all channels for distribution of the securities to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the securities (a "distributor") should take into consideration the manufacturer's target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "UK MiFIR Product Governance Rules") is responsible for undertaking its own target market assessment in respect of the securities (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

The communication of the offering memorandum and any other document or materials relating to the issue of the New Notes offered hereby is not being made, and such documents and/or materials have not been approved, by an authorized person for the purposes of section 21 of the U.K.'s Financial Services and Markets Act 2000, as amended. Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the U.K.. The communication of such documents and/or materials as a financial promotion is only being made to those persons in the U.K. who have professional experience in matters relating to investments and who fall within the definition of investment professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Financial Promotion Order")), or who fall within Article 49(2)(a) to (d) of the Financial Promotion Order, or who are any other persons to whom it may otherwise lawfully be made under the Financial Promotion Order (all such persons together being referred to as "relevant persons"). In the U.K., the New Notes offered hereby are only available to, and any investment or investment activity to which the offering memorandum relates will be engaged in only with, relevant persons. Any person in the U.K. that is not a relevant person should not act or rely on the offering memorandum or any of its contents.

THIS OFFERING MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES LAWS OF APPLICABLE JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORIZED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED HEREIN.

Confirmation and your representation: In order to be eligible to view this offering memorandum or make an investment decision with respect to the securities, you must comply with the following provisions. By accepting the e-mail and accessing this offering memorandum, you shall be deemed to have represented to the issuer and The Hongkong and Shanghai Banking Corporation Limited, Morgan Stanley & Co. International plc, Barclays Bank PLC, China CITIC Bank International Limited, China Securities (International) Corporate Finance Company Limited, Citigroup Global Markets Limited, Credit Suisse (Hong Kong) Limited and Guotai Junan Securities (Hong Kong) Limited, (the "Joint Bookrunners", "Joint Lead Managers" and "Initial Purchasers") that (i) you and any customers you represent are outside the United States and the e-mail address that you gave us and to which this e-mail has been delivered is not located in the United States, (ii) to the extent you purchase the securities described in this offering memorandum, you will be doing so in an offshore transaction (as defined in Regulation S), and (iii) you consent to delivery of such offering memorandum by electronic transmission.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Initial Purchasers or any affiliate of the Initial Purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Initial Purchasers or such affiliate, as the case may be, on behalf of the issuer in such jurisdiction.

This offering memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and, consequently, none of the Initial Purchasers, any person who controls or is otherwise affiliated with any of them, or any of their respective directors, officers, employees or agents accepts any liability or responsibility whatsoever in respect of any difference between the offering memorandum distributed to you in electronic format and the hard copy version available to you on request from the Initial Purchasers.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

# Sunac China Holdings Limited

*(incorporated in the Cayman Islands with limited liability)*

## US$210,000,000 6.5% Senior Notes due 2025

## (to be consolidated and form a single series with the US$540,000,000 6.5% Senior Notes due 2025 issued on January 10, 2020)

## US$342,000,000 5.95% Senior Notes due 2024

## (to be consolidated and form a single series with the US$600,000,000 5.95% Senior Notes due 2024 issued on January 26, 2021)

## Issue Price of the Notes due 2025: 100.665%, plus accrued interest from (and including) January 10, 2021 to (but excluding) March 2, 2021

## Issue Price of the Notes due 2024: 100.246%, plus accrued interest from (and including) January 26, 2021 to (but excluding) March 2, 2021

Our 6.5% Senior Notes due 2025 in the aggregate principal amount of US$210,000,000 (the "New 2025 Notes") will be consolidated and form a single series with the US$540,000,000 6.5% Senior Notes due 2025 issued on January 10, 2020 (the "Existing 2025 Notes" and, together with the New 2025 Notes, the "2025 Notes"). The 2025 Notes bear interest from January 10, 2020 at 6.5% per annum payable semi-annually in arrears on January 10 and July 10 of each year, commencing July 10, 2020. The 2025 Notes will mature on January 10, 2025. The New 2025 Notes will be issued under an indenture dated January 10, 2020, as supplemented or amended from time to time (the "2025 Notes Indenture"), governing the Existing 2025 Notes. The New 2025 Notes constitute Additional Notes under the 2025 Notes Indenture and the terms and conditions for the New 2025 Notes are the same as those for the Existing 2025 Notes in all respects except for the issue date and the issue price. The New 2025 Notes will vote together as one class on all matters with respect to the 2025 Notes. Upon the issue of the New 2025 Notes, the aggregate principal amount of outstanding 2025 Notes will be US$750,000,000.

Our 5.95% Senior Notes due 2024 in the aggregate principal amount of US$342,000,000 (the "New 2024 Notes" and, together with the New 2025 Notes, the "New Notes") will be consolidated and form a single series with the US$600,000,000 5.95% Senior Notes due 2024 issued on January 26, 2021 (the "Existing 2024 Notes" and, together with the New 2024 Notes, the "2024 Notes"). The 2024 Notes bear interest from January 26, 2021 at 5.95% per annum payable semi-annually in arrears on April 26 and October 26 of each year, commencing October 26, 2021, except that the first payment of interest, to be made on October 26, 2021, will be in respect of the period from and including January 26, 2021 to (but excluding) October 26, 2021. The 2024 Notes will mature on April 26, 2024. The New 2024 Notes will be issued under an indenture dated January 26, 2021, as supplemented or amended from time to time (the "2024 Notes Indenture"), governing the Existing 2024 Notes. The New 2024 Notes constitute Additional Notes under the 2024 Notes Indenture and the terms and conditions for the New 2024 Notes are the same as those for the Existing 2024 Notes in all respects except for the issue date and the issue price. The New 2024 Notes will vote together as one class on all matters with respect to the 2024 Notes. Upon the issue of the New 2024 Notes, the aggregate principal amount of outstanding 2024 Notes will be US$942,000,000.

We may at our option redeem the 2025 Notes, in whole or in part, at any time and from time to time on or after January 10, 2023, at a redemption price set forth in "Description of the 2025 Notes – Optional Redemption" plus accrued and unpaid interest, if any, to (but not including) the redemption date. At any time prior to January 10, 2023, we may redeem up to 35% of the aggregate principal amount of the 2025 Notes, at a redemption price of 106.5% of the principal amount of the 2025 Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, in each case, using net cash proceeds from sales of certain kinds of capital stock. In addition, prior to January 10, 2023, we may redeem the 2025 Notes at any time, in whole but not in part, at a price equal to 100% of the principal amount of the 2025 Notes plus the Applicable Premium (as defined herein) as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. Upon the occurrence of a Change of Control Triggering Event (as defined herein), we must make an offer to repurchase all the 2025 Notes outstanding at a purchase price equal to 101.0% of their principal amount, plus accrued and unpaid interest, if any, to (but not including) the date of repurchase.

We may at our option redeem the 2024 Notes, in whole or in part, at any time and from time to time on or after January 26, 2023, at a redemption price set forth in "Description of the 2024 Notes — Optional Redemption" plus accrued and unpaid interest, if any, to (but not including) the redemption date. At any time prior to January 26, 2023, we may redeem up to 35% of the aggregate principal amount of the 2024 Notes, at a redemption price of 105.95% of the principal amount of the 2024 Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, in each case, using net cash proceeds from sales of certain kinds of capital stock. In addition, prior to January 26, 2023, we may redeem the 2024 Notes at any time, in whole but not in part, at a price equal to 100% of the principal amount of the 2024 Notes plus the Applicable Premium (as defined herein) as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. Upon the occurrence of a Change of Control Triggering Event (as defined herein), we must make an offer to repurchase all the 2024 Notes outstanding at a purchase price equal to 101.0% of their principal amount, plus accrued and unpaid interest, if any, to (but not including) the date of repurchase.

The 2025 Notes and the 2024 Notes (together, the "Notes") are our senior obligations, guaranteed by certain of our existing subsidiaries organized outside the People's Republic of China (the "Subsidiary Guarantors"). We refer to the guarantees by the Subsidiary Guarantors as the "Subsidiary Guarantees." Under certain circumstances and subject to certain conditions, a Subsidiary Guarantee required to be provided by a subsidiary of the Company may be replaced by a limited-recourse guarantee (the "JV Subsidiary Guarantee"). We refer to the subsidiaries providing a JV Subsidiary Guarantee as the "JV Subsidiary Guarantors."

The Notes will (i) rank senior in right of payment to any of our existing and future obligations expressly subordinated in right of payment to the Notes, (ii) rank at least *pari passu* in right of payment with the Existing Pari Passu Secured Indebtedness and all our unsecured and unsubordinated indebtedness (subject to any priority rights pursuant to applicable law), (iii) be effectively subordinated to our other secured obligations and the secured obligations of the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any), to the extent of the value of the assets serving as security therefor (other than the Collateral), and (iv) be effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries (as defined herein). In addition, applicable law may limit the enforceability of the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) and the pledge of any collateral. See "Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral."

For a more detailed description of the Notes, see "Description of the 2025 Notes" and "Description of the 2024 Notes."

Investing in the Notes involves risks. See "Risk Factor".

The Existing 2025 Notes and the Existing 2024 Notes are listed and quoted on the Singapore Exchange Securities Trading Limited (the "SGX-ST"). Application will be made to the SGX-ST for the listing and quotation of the New Notes on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained herein. Approval in-principle from, admission to the Official List of, and listing and quotation of the New Notes on, the SGX-ST are not to be taken as an indication of the merits of the offering, the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any) or any of their respective associated companies (if any), the New Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees (if any).

The Notes have been rated "B+" by Standard & Poor's Ratings Services, "B1" by Moody's Investors Service and "BB" by Fitch Ratings Ltd. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time.

The Notes and the Subsidiary Guarantees have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Notes and the Subsidiary Guarantees are being offered and sold only outside the United States in offshore transactions in reliance on Regulation S. For a description of certain restrictions on resale and transfer of the Notes, see "Transfer Restrictions".

With reference to the Notice on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Enterprises (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知) (the "NDRC Notice") promulgated by National Development and Reform Commission (the "NDRC") of the PRC on September 14, 2015 which came into effect on the same day, we have registered the issuance of the Notes with the NDRC and obtained a certificate from the NDRC in 2021 evidencing such registration. Pursuant to the registration certificate, we will cause relevant information relating to the issue of the New Notes to be reported to the NDRC within 10 PRC working days after the issue date of the New Notes.

The New Notes will be evidenced by one or more global notes (the "Global Notes") in registered form, which will be registered in the name of a nominee of, and deposited with a common depositary for, Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream"). Beneficial interests in the Global Notes will be shown on, and transfers thereof will be effected only through, the records maintained by Euroclear and Clearstream and their respective accountholders. Except in the limited circumstances set forth herein, individual certificates for the New Notes will not be issued in exchange for beneficial interests in the Global Notes. It is expected that delivery of the New Notes will be made on March 2, 2021 or such later date as may be agreed by the Initial Purchasers and us.

***Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers***

| | | | |
|---|---|---|---|
| **HSBC** | **Morgan Stanley** | **Barclays** | **China CITIC Bank International** |
| **China Securities International** | **Citigroup** | **Credit Suisse** | **Guotai Junan International** |

The date of this offering memorandum is February 25, 2021.

## TABLE OF CONTENTS


| | Page |
|---|---|
| SUMMARY | 1 |
| THE OFFERING | 5 |
| SUMMARY CONSOLIDATED FINANCIAL DATA | 14 |
| RISK FACTORS | 17 |
| USE OF PROCEEDS | 56 |
| EXCHANGE RATE INFORMATION | 57 |
| CAPITALIZATION AND INDEBTEDNESS | 59 |
| SELECTED CONSOLIDATED FINANCIAL DATA | 61 |
| MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS | 65 |
| CORPORATE STRUCTURE | 89 |
| BUSINESS | 94 |
| REGULATION | 119 |
| MANAGEMENT | 154 |
| PRINCIPAL SHAREHOLDERS | 161 |
| RELATED PARTY TRANSACTIONS | 162 |
| DESCRIPTION OF OTHER MATERIAL INDEBTEDNESS | 163 |
| DESCRIPTION OF THE 2025 NOTES | 185 |
| DESCRIPTION OF THE 2024 NOTES | 264 |
| TAXATION | 344 |
| PLAN OF DISTRIBUTION | 347 |
| TRANSFER RESTRICTIONS | 352 |
| RATINGS | 354 |
| LEGAL MATTERS | 355 |
| INDEPENDENT AUDITOR | 355 |
| GENERAL INFORMATION | 356 |
| INDEX TO CONSOLIDATED FINANCIAL STATEMENTS | F-1 |

## NOTICE TO INVESTORS

This offering memorandum does not constitute an offer to sell to, or a solicitation of an offer to buy from, any person in any jurisdiction to whom it is unlawful to make the offer or solicitation in such jurisdiction. Neither the delivery of this offering memorandum nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this offering memorandum or that the information contained in this offering memorandum is correct as of any time after that date.

This offering memorandum is not a prospectus for the purposes of the European Union's Regulation (EU) 2017/1129.

**PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The New Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU, as amended ("MiFID II"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014, as amended (the "PRIIPs Regulation") for offering or selling the New Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the New Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

**Prohibition of sales to UK retail investors –** The securities are not intended ot be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retain investor in the United Kingdom ("UK"). For these purposes, a retail investor means a person who is one (or more) of (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("EUWA"); or (ii)a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "UK PRIIPs Regulation") for offering or selling the New Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the New Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

**MIFID II product governance/Professional investors and ECPs only target market –** Solely for the purposes of the manufacturer's product approval process, the target market assessment in respect of the securities has led to the conclusion that: (i) the target market for the securities is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "MiFID II"); and (ii) all channels for distribution of the securities to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the securities (a "distributor") should take into consideration the manufacturer's target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the securities (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

**UK MIFIR product governance/Professional investors and ECPs only target market –** Solely for the purposes of the manufacturer's product approval process, the target market assessment in respect of the securities has led to the conclusion that: (i) the target market for the securities is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("COBS"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("UK MiFIR"); and (ii) all channels for distribution of the securities to eligible counterparties and professional clients are appropriate. Any person subsequently

offering, selling or recommending the securities (a "distributor") should take into consideration the manufacturer's target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "UK MiFIR Product Governance Rules") is responsible for undertaking its own target market assessment in respect of the securities (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

The communication of this offering memorandum and any other document or materials relating to the issue of the New Notes offered hereby is not being made, and such documents and/or materials have not been approved, by an authorized person for the purposes of section 21 of the U.K.'s Financial Services and Markets Act 2000, as amended (the "FSMA"). Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the U.K.. The communication of such documents and/or materials as a financial promotion is only being made to those persons in the U.K. who have professional experience in matters relating to investments and who fall within the definition of investment professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Financial Promotion Order")), or who fall within Article 49(2)(a) to (d) of the Financial Promotion Order, or who are any other persons to whom it may otherwise lawfully be made under the Financial Promotion Order (all such persons together being referred to as "relevant persons"). In the U.K., the New Notes offered hereby are only available to, and any investment or investment activity to which this offering memorandum relates will be engaged in only with, relevant persons. Any person in the U.K. that is not a relevant person should not act or rely on this offering memorandum or any of its contents.

**Notification under Section 309B(1)(c) of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA") —** the Company has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the New Notes are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

IN CONNECTION WITH THE ISSUE OF THE NEW NOTES, MORGAN STANLEY & CO. INTERNATIONAL PLC (THE "STABILIZING COORDINATOR") MAY, EITHER DIRECTLY OR TOGETHER WITH ANY STABILIZING MANAGERS APPOINTED BY IT, SUBJECT TO APPLICABLE LAWS AND REGULATIONS, OVER-ALLOT OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NEW NOTES AT A LEVEL HIGHER THAN THAT MIGHT OTHERWISE PREVAIL FOR A LIMITED PERIOD AFTER THE TIME OF DELIVERY. HOWEVER, THERE IS NO OBLIGATION ON THE STABILIZING COORDINATOR OR ANY STABILIZING MANAGER TO DO THIS. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME AND MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD.

The New Notes are being offered and sold by the Initial Purchasers only outside the United States in offshore transactions in accordance with Regulation S under the Securities Act. We are not, and the Initial Purchasers are not, making an offer to sell the New Notes, including the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any), in any jurisdiction except where an offer or sale is permitted. The distribution of this offering memorandum and the offering of the securities, including the New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any), may in certain jurisdictions be restricted by law. Persons into whose possession this offering memorandum comes are required by us and the Initial Purchasers to inform themselves about and to observe any such restrictions. For a description of the restrictions on offers, sales and resales of the securities, including the New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any), and distribution of this offering memorandum, see the sections entitled "Transfer Restrictions" and "Plan of Distribution" below.

This offering memorandum is highly confidential. We are providing it solely for the purpose of enabling you to consider a purchase of the New Notes. You should read this offering memorandum before making a decision whether to purchase the New Notes. You must not use this offering memorandum for any other purpose, or disclose any information in this offering memorandum to any other person.

We have prepared this offering memorandum, and we are solely responsible for its contents. You are responsible for making your own examination of us and your own assessment of the merits and risks of investing in the New Notes. By purchasing the New Notes, you will be deemed to have acknowledged that you have made certain acknowledgements, representations and agreements as set forth under the section entitled "Transfer Restrictions" below.

No representation or warranty, express or implied, is made or given by any of The Hongkong and Shanghai Banking Corporation Limited, Morgan Stanley & Co. International plc, Barclays Bank PLC, China CITIC Bank International Limited, China Securities (International) Corporate Finance Company Limited, Citigroup Global Markets Limited, Credit Suisse (Hong Kong) Limited and Guotai Junan Securities (Hong Kong) Limited (the "Joint Bookrunners", "Joint Lead Managers" and "Initial Purchasers") and the Trustee or any of their affiliates or advisors as to the accuracy or completeness of the information set forth herein, and nothing contained in this offering memorandum is, or should be relied upon as, a promise, representation or warranty, whether as to the past or the future. The Initial Purchasers, to the fullest extent permitted by law, assume no responsibility for the accuracy or completeness of any such information or for any statement made or purported to be made by the Initial Purchasers or on our behalf in connection with the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any) or the issue and offering of the New Notes. The Initial Purchasers accordingly disclaim all and any liability whether arising in contract or tort or otherwise which they might otherwise have in respect of this offering memorandum or any such statement.

Each person receiving this offering memorandum acknowledges to us and the Initial Purchasers that: (i) such person has been afforded an opportunity to request from us and to review, and has received, all additional information considered by it to be necessary to verify the accuracy of, or to supplement, the information contained herein; (ii) such person has not relied on the Initial Purchasers or any person affiliated with the Initial Purchasers in connection with any investigation of the accuracy of such information or its investment decision; and (iii) no person has been authorized to give any information or to make any representation concerning us, our subsidiaries and affiliates, the New Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees (if any) (other than as contained herein and information given by our duly authorized officers and employees in connection with investors' examination of our Company and the terms of the offering of the New Notes) and, if given or made, any such other information or representation should not be relied upon as having been authorized by us or the Initial Purchasers.

Market data, industry forecast and the PRC and property industry statistics in this offering memorandum have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although we believe this information to be reliable, it has not been independently verified by us, the Initial Purchasers, the Trustee, the Agents, or our or their respective directors and advisors, and neither we, the Initial Purchasers, the Trustee, the Agents nor our or their respective directors and advisors make any representation as to the accuracy or completeness of that information. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified. Due to possibly inconsistent collection methods and other problems, such statistics herein may be inaccurate. You should not unduly rely on such market data, industry forecast and the PRC and property industry statistics.

This offering memorandum summarizes certain material documents and other information, and investors should refer to them for a more complete understanding of what is discussed in this offering memorandum. In making an investment decision, you must rely on your own examination of us and the terms of the offering, including the merits and risks involved. None of the Company, the Initial Purchasers, the Trustee, the Agents or our or their respective directors or advisors are making any representation to you regarding the legality of an investment in the New Notes by you under any legal, investment or similar laws or regulations. You should not consider any information in this offering memorandum to be legal, business or tax advice. You should consult your own professional advisors for legal, business, tax and other advice regarding an investment in the New Notes.

We reserve the right to withdraw the offering of the New Notes at any time.

## CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

We have prepared this offering memorandum using a number of conventions, which you should consider when reading the information contained herein.

In this offering memorandum, the term "Company" refers to Sunac China Holdings Limited, and the terms "we," "us," "our," the "Group" and words of similar import refer to Sunac China Holdings Limited, or Sunac China Holdings Limited and its subsidiaries, as the context requires. For purposes of describing our business operations, the term "our subsidiaries and associates" refers to our consolidated subsidiaries and other entities in the PRC in which we own a non-controlling equity interest.

References to "U.S. dollars" and "US$" are to United States dollars, the official currency of the United States of America (the "United States" or "U.S."). References to "Renminbi" or "RMB" are to Renminbi, the official currency of the People's Republic of China ("China" or the "PRC"). References to "Hong Kong dollars" or "HK$" are to Hong Kong dollars, the official currency of the Hong Kong Special Administrative Region of the PRC ("Hong Kong").

Unless otherwise indicated, all references in this offering memorandum to "Notes" are to any of the 2025 Notes and the 2024 Notes, all references to "New Notes" are to any of the New 2025 Notes and the New 2024 Notes and references to a "series of Notes" or to a "series" are to the 2025 Notes or the 2024 Notes separately; all references in this offering memorandum to "Description of the Notes" are to the terms and conditions governing the 2025 Notes and the 2024 Notes, as respectively set out in "Description of the 2025 Notes" and "Description of the 2024 Notes" (collectively, the "Description of the Notes") and all references in this offering memorandum to "Indentures" are to the indenture governing the 2025 Notes and the indenture governing the 2024 Notes collectively.

We prepare and publish our consolidated financial statements in Renminbi. Unless otherwise stated in this offering memorandum, all translations from Renminbi to U.S. dollars and from Hong Kong dollars to U.S. dollars have been made at the rates of RMB7.0651 to US$1.00 and HK$7.7501 to US$1.00, respectively, the exchange rates set forth in the H.10 statistical release of the Federal Reserve Board on June 30, 2020. All such translations in this offering memorandum are provided solely for your convenience and no representation is made that the Renminbi amounts referred to herein have been, could have been or could be converted into U.S. dollars, or Hong Kong dollar amounts, as the case may be, or vice versa, at any particular rate or at all. For further information relating to the exchange rates, see the section entitled "Exchange Rate Information."

References to "PRC" and "China," in the context of statistical information and description of laws and regulations in this offering memorandum, except where the context otherwise requires, do not include Hong Kong, Macau Special Administrative Region of the PRC ("Macau"), or Taiwan. References to "PRC government" or "State" means the central government of the PRC, together with all political subdivisions (including provincial, municipal and other regional or local governments) and instrumentalities thereof, or, where the context requires, any of them.

References to the "2019 Notes" are to our US$400.0 million 8.75% Senior Notes due 2019 issued under an indenture dated as of December 5, 2014, as amended or supplemented from time to time. We fully redeemed the 2019 Notes in December 2019.

References to the "August 2020 Notes" are to our US$400.0 million 6.875% Senior Notes due 2020 issued under an indenture dated as of August 8, 2017. We fully redeemed the August 2020 Notes in August 2020.

References to the "July 2021 Notes" are to our US$650.0 million 7.35% Senior Notes due 2021 issued under an indenture dated as of April 19, 2018, as amended or supplemented from time to time.

References to the "August 2022 Notes" are to our US$600.0 million 7.95% Senior Notes due 2022 issued under an indenture dated as of August 8, 2017, as amended or supplemented from time to time.

References to the "April 2023 Notes" are to our US$650.0 million 8.35% Senior Notes due 2023 issued under an indenture dated as of April 19, 2018, as amended or supplemented from time to time.

References to the "July 2020 Notes" are to our US$750.0 million 8.625% Senior Notes due 2020 issued under an indenture dated as of July 27, 2018, as amended or supplemented from time to time. We fully redeemed the July 2020 Notes in July 2020.

References to the "July 2023 Notes" are to our US$600.0 million Senior Notes due 2023 issued under an indenture dated as of July 9, 2020, as amended or supplemented from time to time.

References to the "January 2021 Notes" are to our US$600.0 million 8.375% Senior Notes due 2021 issued under an indenture dated as of January 15, 2019, as amended or supplemented from time to time. On December 8, 2020, we completed the offer to purchase the January 2021 Notes and after cancellation of the January 2021 Notes repurchased pursuant to the offer, an aggregate principal amount of approximately US$242.9 million of January 2021 Notes remains outstanding. We fully redeemed the January 2021 Notes in January 2021.

References to the "February 2022 Notes" are to our US$800.0 million 7.875% Senior Notes due 2022 issued under an indenture dated as of February 15, 2019, as amended or supplemented from time to time. We fully redeemed the February 2022 Notes in February 2021.

References to the "October 2023 Notes" are to our US$750.0 million 7.95% Senior Notes due 2023 issued under an indenture dated as of April 11, 2019, as amended or supplemented from time to time.

References to the "June 2022 Notes" are to our US$600 million 7.25% Senior Notes due 2022 issued under an indenture dated as of June 14, 2019, as amended or supplemented from time to time.

References to the "February 2024 Notes" are to our US$650 million 7.5% Senior Notes due 2024 issued under an indenture dated as of November 1, 2019, as amended or supplemented from time to time.

References to the "Existing 2025 Notes" are to our US$540 million 6.5% Senior Notes due 2025 issued under an indenture dated as of January 10, 2020, as amended or supplemented from time to time.

References to the "July 2025 Notes" are to our US$600 million 7.0% Senior Notes due 2025 issued under an indenture dated as of July 9, 2020, as amended or supplemented from time to time.

References to the "August 2024 Notes" are to our US$620 million 6.65% Senior Notes due 2024 issued under an indenture dated as of August 3, 2020, as amended or supplemented from time to time.

References to the "Existing 2024 Notes" are to our US$600 million 5.95% senior notes due 2024 issued under an indenture dated as of January 26, 2021, as amended or supplemented from time to time.

References to the "January 2026 Notes" are to our US$500 million 6.5% senior notes due 2026 issued under an indenture dated as of January 26, 2021, as amended or supplemented from time to time.

References to the "Existing Notes" are to the July 2021 Notes, the August 2022 Notes, the April 2023 Notes, the October 2023 Notes, the June 2022 Notes, the February 2024 Notes, the Existing 2025 Notes, the July 2023 Notes, the July 2025 Notes, the August 2024 Notes, the Existing 2024 Notes and the January 2026 Notes.

References to the "2019 CCB Facilities" are to term loan facilities which have been made available to us pursuant to a facilities agreement dated August 20, 2019 between, among others, the Company and China Construction Bank (Asia) Corporation Limited as the facility agent of the finance parties.

References to the "2019 CCB Facilities Agreement" are to a term loan facility agreement dated August 20, 2019 between, among others, the Company and China Construction Bank (Asia) Corporation Limited as the facility agent of the finance parties.

References to the "2019 BAML Facility" are to a term loan facility which has been made available to us pursuant to a facility agreement dated October 10, 2019 between, among others, the Company and Bank of America, N.A. as the lender, which facility was fully repaid in March 2020.

References to the "2019 BAML Facility Agreement" are to a term loan facility agreement dated October 10, 2019 between, among others, the Company and Bank of America, N.A. as the lender.

References to "contracted sales" refer to the purchase price of formal purchase contracts we entered into with purchasers of our properties. We compile contracted sales information (including contracted sales amounts, ASP and GFA) through our internal records, and such information has not been audited or reviewed by PricewaterhouseCoopers, Certified Public Accountants. As these sales and purchase contracts are subject to termination or variation under certain circumstances pursuant to their contractual terms, or subject to default by the relevant purchasers, they are not a guarantee of current or future contracted sales. Contracted sales information included in this offering memorandum should in no event be treated as an indication of our revenue or profitability. Our subsequent revenue recognized from such contracted sales may be materially different from such contracted sales. Accordingly, contracted sales information contained in this offering memorandum should not be unduly relied upon as a measure or indication of our current or future operating performance. See "Risk Factors — Risks Relating to Our Business — Our purchase contracts are subject to termination and variation under certain circumstances and are not a guarantee of our current or future contracted sales. "

References to the "corporate bonds" are to our RMB6.0 billion domestic bonds issued in 2015, RMB4.0 billion domestic bonds issued in 2016 and RMB4.0 billion domestic bonds issued in 2020.

References to "Dalian Wanda Group" are to Dalian Wanda Group Co., Ltd. (大連萬達集團股份有限公司), a company established in the PRC with limited liability.

References to the "Leshi Companies" are to Leshi Internet, Le Vision Pictures and Lerong Zhixin. References to "Leshi Internet" are to Leshi Internet Information & Technology Corp (Beijing) (樂視網信息技術(北京)股份有限公司), a Shenzhen Stock Exchange listed company, which is engaged in advertising services based on the whole network video industry, terminal services, membership and distribution services and other services. Leshi Internet is directly controlled by Mr. Jia Yueting.

References to "Le Vision Pictures" are to Le Vision Pictures (Beijing) Co., Ltd. (樂視影業(北京)有限公 司), which is engaged in film production, film publicity and release, copyright operations and business development.

References to "Lerong Zhixin" are to Lerong Zhixin Electronic Technology (Tianjin) Limited, formerly known as New Leshi Zhijia Electronic Technology (Tianjin) Limited and Leshi Zhixin Electronic Technology (Tianjin) Limited (樂視致新電子科技(天津)有限公司), which is engaged in the business of Le TV terminal services. Lerong Zhixin was a subsidiary of Leshi Internet prior to the acquisition by our Group.

References to "Sunac International" are to Sunac International Investment Holdings Limited, our controlling shareholder which is wholly owned by Mr. Sun Hongbin, the chairman and the executive director of our Company.

References to "Sunac Real Estate" are to Sunac Real Estate Group Co., Ltd. (融創房地產集團有限公司), our indirectly wholly-owned subsidiary.

References to "Sunac Services" are to Sunac Services Holdings Limited (融創服務控股有限公司), our non-wholly owned subsidiary.

References to "Tianjin Jiarui" are to Tianjian Jiarui Huixin Corporate Management Co., Ltd. (天津嘉睿匯鑫企業管理有限公司), a wholly owned subsidiary of Tianjin Yingrui before May 22, 2020, the date of the disposal of 100% equity interest in Tianjin Jiarui.

References to "Tianjin Yingrui" are to Tianjin Yingrui Huixin Corporate Management Co., Ltd. (天津盈瑞匯鑫企業管理有限公司), which is 50% owned by Mr. Wang Peng and 50% owned by Mr. Zheng Fu, both of whom are our senior management members.

All site area and gross floor area ("GFA") data presented in this offering memorandum for any project represents the site area and GFA of the entire project, respectively, including such amount attributable to the other shareholders of our non-wholly owned project companies.

In this offering memorandum, where information has been presented in thousands or millions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent totals of the individual items and actual numbers may differ from those contained herein due to such rounding.

The English names of the PRC nationals, entities, departments, facilities, laws, regulations, certificates, titles and the like are translations of their Chinese names and are included for identification purposes only. In the event of any inconsistency, the Chinese name prevails.

## FORWARD-LOOKING STATEMENTS

This offering memorandum contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include statements relating to:

- our business and operating strategies;
- our capital expenditure and property development plans;
- the amount and nature of, and potential for, future development of our business;
- our operations and business prospects;
- various business opportunities that we may pursue;
- the interpretation and implementation of the existing rules and regulations relating to land appreciation tax and its future changes in enactment, interpretation or enforcement;
- the prospective financial information regarding our businesses;
- availability and costs of bank loans and other forms of financing;
- our dividend policy;
- projects under development or held for future development;
- our capability to identify and integrate suitable acquisition targets;
- the regulatory environment of our industry in general;
- the performance and future developments of the property market in China or any region in China in which we may engage in property development and investment;
- changes in political, economic, legal and social conditions in China, including the specific policies of the PRC central and local governments affecting the region where we operate, which affect land supply, availability and cost of financing, and pre-sale, pricing and volume of our property development projects;
- significant delay in obtaining the various permits, proper legal titles or approvals for our properties under development or held for future development;
- timely repayments by our purchasers of mortgage loans guaranteed by us;
- changes in competitive conditions and our ability to compete under these conditions;
- the performance of the obligations and undertakings of the third-party contractors under various construction, building, interior decoration, material and equipment supply and installation contracts;
- changes in currency exchange rates; and
- other factors beyond our control.

In some cases, you can identify forward-looking statements by such terminology as "may," "will," "should," "could," "would," "expect," "intend," "plan," "anticipate," "going forward," "ought to," "seek," "project," "forecast," "believe," "estimate," "predict," "potential" or "continue" or the negative of these terms or other comparable terminology. Such statements reflect the current views of our management with respect to future events, operations, results, liquidity and capital resources and are not a guarantee of future performance and may not materialize or may change. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we cannot assure you that those expectations will prove to be correct, and you are cautioned not to place undue reliance on such statements. In addition, unanticipated events may adversely affect the actual results we achieve. Important factors that could cause actual results to differ materially from our expectations are disclosed under the section entitled "Risk Factors" in this offering memorandum. Except as required by law, we undertake no obligation to update or otherwise revise any forward-looking statements contained in this offering memorandum, whether as a result of new information, future events or otherwise after the date of this offering memorandum. All forward-looking statements contained in this offering memorandum are qualified by reference to the cautionary statements set forth in this section.

## ENFORCEMENT OF CIVIL LIABILITIES

We are an exempted company incorporated in the Cayman Islands with limited liability, and each Subsidiary Guarantor and JV Subsidiary Guarantor (if any) is also incorporated or may be incorporated, as the case may be, in a jurisdiction outside the United States, such as the British Virgin Islands or Hong Kong. The Cayman Islands, the British Virgin Islands, Hong Kong and other jurisdictions have different bodies of securities laws from the United States and protections for investors may differ.

All of our assets and all of the assets of the Subsidiary Guarantors are, and all or some of the assets of the JV Subsidiary Guarantors (if any) may be, located outside the United States. In addition, the majority of our directors and officers and the majority of the directors and officers of the Subsidiary Guarantors are, and all or some of the directors and officers of the JV Subsidiary Guarantors (if any) may be, nationals or residents of countries other than the United States (principally of the PRC), and all or a substantial portion of such persons' assets are located or may be located, as the case may be, outside the United States. As a result, it may be difficult for investors to effect service of process within the United States upon us, any of the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) or such directors and officers or to enforce against us, any of the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) or such directors and officers judgments obtained in United States courts, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state thereof.

We and each of the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) expect to appoint Cogency Global Inc. as our and their respective agent to receive service of process with respect to any action brought against us, the Subsidiary Guarantors or the JV Subsidiary Guarantors (if any) in the United States federal courts located in the Borough of Manhattan, The City of New York under the federal securities laws of the United States or of any state of the United States or any action brought against us, the Subsidiary Guarantors or the JV Subsidiary Guarantors (if any) in the courts of the State of New York in the Borough of Manhattan, The City of New York under the securities laws of the State of New York.

Conyers Dill & Pearman, our Cayman Islands legal advisor, has advised that there is uncertainty as to (i) whether the courts in the Cayman Islands would enforce judgments obtained in the United States courts against us or our directors predicated upon the civil liability provisions of the federal securities laws of the United States and (ii) whether the Cayman Islands courts would entertain actions brought in the Cayman Islands against us or our directors predicated upon the civil liability provisions of the federal securities laws of the United States. We have been further advised by Conyers Dill & Pearman that the courts of the Cayman Islands would recognize as a valid judgment, a final and conclusive judgment in personam obtained in the United States courts against us under which a sum of money is payable (other than a sum of money payable in respect of multiple damages, taxes or other charges of a like nature or in respect of a fine or other penalty) or in certain circumstances, an in personam judgment for non-monetary relief, and would give a judgment based thereon provided that (a) such courts had proper jurisdiction over the parties subject to such judgment; (b) such courts did not contravene the rules of natural justice of the Cayman Islands; (c) such judgment was not obtained by fraud; (d) the enforcement of the judgment would not be contrary to the public policy of the Cayman Islands; (e) no new admissible evidence relevant to the action is submitted prior to the rendering of the judgment by the courts of the Cayman Islands; and (f) there is due compliance with the correct procedures under the laws of the Cayman Islands.

Conyers Dill & Pearman, our British Virgin Islands legal advisor, has advised that it is doubtful whether the courts in the British Virgin Islands will enforce judgments obtained in the United States, against us or our directors or officers under the securities laws of the United States or entertain actions in the British Virgin Islands against us or our directors or officers under the securities laws of the United States. We have been further advised by Conyers Dill & Pearman that the courts of the British Virgin Islands would recognize as a valid judgment, a final and conclusive judgment in personam obtained in the United States courts against us under which a sum of money is payable (other than a sum of money payable in respect of multiple damages, taxes or other charges of a like nature or in respect of a fine or other penalty) and would give a judgment based thereon provided that (a) such courts had proper jurisdiction

over the parties subject to such judgment, (b) such courts did not contravene the rules of natural justice of the British Virgin Islands, (c) such judgment was not obtained by fraud, (d) the enforcement of the judgment would not be contrary to the public policy of the British Virgin Islands, (e) no new admissible evidence relevant to the action is submitted prior to the rendering of the judgment by the courts of the British Virgin Islands and (f) there is due compliance with the correct procedures under the laws of the British Virgin Islands.

Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States. However, under Hong Kong common law, a foreign judgment (including one from a court in the United States predicated upon U.S. federal or state securities laws) may be enforced in Hong Kong by bringing an action in a Hong Kong court, and then seeking summary or default judgment on the strength of the foreign judgment, provided that the foreign judgment is for a debt or definite sum of money and is final and conclusive on the merits. In addition, the Hong Kong courts may refuse to recognize or enforce a foreign judgment if such judgment:

(i) was obtained by fraud;

(ii) was rendered by a foreign court that lacked the appropriate jurisdiction at the time (as determined by Hong Kong jurisdictional rules);

(iii) is contrary to public policy or natural justice in Hong Kong;

(iv) is based on foreign penal, revenue or other public law; or

(v) falls within Section 3(1) of the Foreign Judgments (Restriction on Recognition and Enforcement) Ordinance (Chapter 46 of the Laws of Hong Kong).

We have also been advised by our PRC legal advisor, DeHeng Law Offices, that there is uncertainty as to whether the courts of the PRC would (i) enforce judgments of U.S. courts obtained against us, our directors or officers, the Subsidiary Guarantors or the JV Subsidiary Guarantors (if any) or their directors or officers predicated upon the civil liability provisions of the U.S. federal or state securities laws or (ii) entertain original actions brought in China against us, our directors or officers, the Subsidiary Guarantors or JV Subsidiary Guarantors (if any) or their directors or officers predicated upon the U.S. federal or state securities laws.

## PRESENTATION OF FINANCIAL INFORMATION

Our consolidated financial statements are prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), which differ in certain respects from generally accepted accounting principles in certain other countries. Our reporting currency is the Renminbi. See "Risk Factors — Risks Relating to the Notes and this Offering — There may be less publicly available information about us than is available in certain other jurisdictions."

## GLOSSARY OF TECHNICAL TERMS

The following are definitions of certain terms in this offering memorandum that are commonly used in connection with our business. The terms and their meanings may not correspond to standard industry meanings or usages of those terms.

| | |
|---|---|
| "aggregate GFA" | the total of saleable/rentable GFA and non-saleable/rentable GFA |
| "attributable GFA" | the amount of saleable and rentable GFA that is attributable to us in accordance with our total equity interest |
| "CAGR" | compound annual growth rate |
| "certificate of completion" | the construction project planning inspection and clearance certificate (建設工程竣工驗收備案) issued by various local bureaus in China including the fire protection department, planning department, environmental protection department and air defense department with respect to the completion of property projects subsequent to their on-site examination and inspection |
| "commodity properties" | residential properties, commercial properties and other buildings that are developed by real estate developers for the purposes of sale or lease after their completion |
| "construction land planning permit" | the construction land planning permit (建設用地規劃許可證) issued by a local urban zoning and planning bureau or some other relevant government authority |
| "construction permit" | the construction works commencement permit (建設工程施工許可證) issued by a local governmental construction committee or some other relevant government authority |
| "construction works planning permit" | the construction works planning permit (建設工程規劃許可證) issued by a local urban zoning and planning bureau or some other relevant government authority |
| "land bank" | the total amount, in terms of aggregate GFA, of: (i) completed properties that have not been sold or delivered, (ii) properties under development, and (iii) properties held for future development (including those for which we have entered into a land grant contract but have not obtained the land use rights certificate) |
| "land grant contract" | the state-owned land use right grant contract (國有土地使用權出讓合同) entered into with a land administration bureau or some other relevant government authority in respect of the grant of state-owned land use rights |
| "land use right certificate" | the state-owned land use right certificate (國有土地使用證) issued by a local land and resources bureau or some other relevant government authority |
| "LAT" | land appreciation tax |

| | |
|---|---|
| "non-saleable/rentable GFA"..... | the amount of GFA that is not for sale or for rent, which typically includes communal facilities |
| "pre-sale permit"..... | the commodity property pre-sale permit (商品房預售許可證) issued by a local land and resources and/or housing administration bureau or some other relevant government authority |
| "property ownership certificate" ..... | the property ownership certificate (房地產權證) issued by a local land and resources and/or housing administration bureau or some other relevant government authority |
| "saleable/rentable GFA"..... | the amount of GFA that a property developer intends to sell or rent and that does not exceed the multiple of the site area and the maximum permissible plot ratio |
| "sq.m."..... | square meter |

# SUMMARY

*This summary does not contain all the information that may be important to you in deciding to invest in the New Notes. You should read the entire offering memorandum, including "Risk Factors," "Description of the Notes" and our consolidated financial statements and the related notes, before making an investment decision.*

## Our Business

We are an integrated residential and commercial property developer with a focus on high-end and high-quality property developments in selected cities in China. Since we commenced operations in Tianjin in 2003, we have successfully established a strong market position in Tianjin and have been active in expanding our business through our subsidiaries and associates to the other target cities. As of June 30, 2020, we operate in seven strategically selected regions which we believe have significant potential for economic growth, namely the northern China region, the Shanghai region, the Beijing region, the southwestern China region, the southeastern China region, the central China region and the southern China region. In recent years, we have won many awards for our significant achievements in the property sector nationwide or region-wide, including:

- In 2019, we were recognized as one of the top 10 real estate developers in China (2019年中國房地產開發企業10強);
- In 2019, we were ranked the first in terms of "Chinese Real Estate Company's Product Power" for 2019 (2019年中國房企產品力第一名);
- In 2019, we were recognized as one of the "Best Chinese Real Estate Companies to Work For in 2019" (2019年中國房地產最佳僱主企業);
- In 2019, we were recognized as the "Property Management Company in China with Leading Brand for Quality Service" (2019年中國物業品質服務領先品牌企業);
- In 2018, we were recognized as one of the "Best Chinese Real Estate Company to Work For in 2018" (2018中國房地產最佳僱主企業);
- In 2018, we were recognized as a "Leading Company in Chinese Real Estate Branding of 2018" (中國房地產行業領導公司品牌);
- In 2018, we were recognized as one of the "2018 China Blue Chip Real Estate Developers" (2018年度中國藍籌地產企業);
- In 2018, we ranked the fifth among the top 10 real estate developers in China (2018中國房地產開發企業十強第五名);
- In 2018, we ranked the fourth among the top 10 real estate developers of comprehensive development in China (2018中國房地產開發企業綜合發展十強第四名);
- In 2018, we ranked the fifth among the top 10 real estate developers of comprehensive strength in China (2018中國房地產開發企業綜合實力十強第五名);
- In 2018, we ranked as one of the top 10 real estate developers of development in China (2018中國房地產百強企業成長TOP10);
- In 2017, we ranked the third among the top 10 brand value of real estate developers in China (2017中國房地產公司品牌價值TOP10 — 第三名);
- In 2017, we ranked as one of the top 10 real estate developers of comprehensive strength in China (2017中國房地產開發企業綜合實力十強);
- In 2017, we received the Best Contribution to the Society (企業社會責任最佳貢獻獎);
- In 2017, we ranked the most influential real estate companies in China (中國年度影響力地產企業);
- In 2016, we ranked seventh among the top 10 real estate developers of comprehensive strength in China (中國房地產開發企業綜合實力10強第7名);

- In 2016, we ranked among the most influential real estate companies in China (中國最具影響力地產企業);

- In 2016, we ranked among the top 10 brand value of real estate developers in China (中國房地產品牌價值top 10);

- In 2016, our Beijing One Central (北京使館一號院) ranked among the luxury real estates showcase works in Beijing (北京豪宅示範作品);

- In 2016, our Suzhou One Park (蘇州一號院) ranked among the top 10 luxury real estates in Asia (亞洲十大豪宅);

- In 2016, our Beijing Glory Chateau (北京紫禁一號院) received the Jinding Prize for luxury real estates (豪宅金鼎獎);

- In 2016, our Hefei One Central (合肥一號院) ranked among the top 10 brand value of the high-profile real estate projects in China (中國房地產高端項目品牌價值top 10);

- In 2015, we were named as one of the real estates companies which are institutional investors' first choices in China (中國機構投資者首選房企);

- In 2015, we ranked among the top 10 real estate developers of comprehensive development in China (中國房地產開發企業綜合發展10強);

- In 2015, our Chongqing Hastin Avenue (重慶白象街) ranked among the commercial properties with the best urban value (中國最佳城市價值商業樓盤);

- In 2015, our Chongqing Rose Garden (重慶玫瑰園) received Jinshi Prize for the best construction in China under the category of excellent planning and designing (中華建築金石獎 — 卓越規劃設計類); and

- In 2015 and 2016, we were ranked among the best employers among the real estate companies in China (中國房地產最佳僱主企業).

We focus on the development of integrated residential and commercial properties. We develop a variety of residential properties for sale, including high-rise apartments, mid-rise apartments, townhouses and detached villas. We also develop various commercial properties primarily for sale as well as for lease, including retail stores, offices and serviced apartments. Many of our residential projects are large in scale, featuring a combination of residential properties integrated with value-added ancillary facilities such as clubhouses, retail stores, parking spaces and schools. Our commercial properties are typically large-scale commercial complexes combining retail space, offices, parking facilities and, in some cases, serviced apartments. We focus on delivering high-quality products and services to medium to high-income customers. In 2017, 2018, 2019 and the six months ended June 30, 2020, we generated substantially all of our revenue from sales of residential and commercial properties.

Through our subsidiaries and associates, we had engaged in a total of 749 property development projects as of June 30, 2020, which comprised completed properties, properties under development and properties held for future development with a total site area of approximately 140.0 million sq.m. and a total aggregate GFA of approximately 247.8 million sq.m., of which our attributable GFA in these properties amounted to 158.1 million sq.m.

In 2017, 2018, 2019 and for the six months ended June 30, 2019 and 2020, our revenue was RMB65,873.5 million, RMB124,745.6 million, RMB169,316.0 million (US$23,965.1 million), RMB76,837.9 million and RMB77,341.7 million (US$10,947.0 million) respectively, and our profit attributable to owners of the Company was RMB11,003.9 million, RMB16,566.5 million, RMB26,027.5 million (US$3,684.0 million), RMB10,286.3 million and RMB10,959.1 million (US$1,551.2 million), respectively.

**Competitive Strengths**

We believe that the following strengths of our Company will allow us to compete effectively in the property market in the PRC:

- proven ability to grow our business in strategically targeted cities with high growth potential;

- successful track record in developing large-scale, integrated property projects;
- strong ability to maintain a high-quality land bank at a relatively low cost;
- seasoned and cohesive management team with strong corporate governance;
- high-quality products with strong brand recognition; and
- prudent cash flow management to maintain strong liquidity.

**Business Strategies**

We intend to implement the following business strategies in order to achieve our goal of becoming a leading property development company in China providing high-quality products and services to medium to high-income target customer segments:

- reinforce and strengthen our position in the regions surrounding Beijing, Tianjin, Shanghai, Chongqing and Hangzhou;
- maintain a high-quality land bank in a disciplined manner via diverse channels;
- focus on delivering high-end and high-quality products and services to medium to high-income customers and maintain our fast turnover business model;
- further strengthen our brand recognition and enhance our brand influence among our medium to high-income target customers;
- strategically and selectively diversify our business with a focus on property development; and
- continue to enhance our corporate governance, internal control, cash flow management and human resources practices.

**Recent Developments**

***Spin-Off and Separate Listing of Our Property Management Business***

On November 19, 2020, the Hong Kong Stock Exchange granted the listing of, and permission to deal in, the shares of Sunac Services, our subsidiary, on the main board of the Hong Kong Stock Exchange. The spin-off and separate listing of Sunac Services was conducted by way of the global offering and the distribution of a minor portion of its shares to the shareholders of our Company. Sunac Services and its subsidiaries are principally engaged in the provision of property management services, value-added services to non-property owners and community value-added services. After the spin-off, Sunac Services and its subsidiaries, together with Sunac Services' direct parent company, Sunac Services Investment Limited, and other related subsidiaries, remain as our subsidiaries and have been designated as Unrestricted Subsidiaries (as defined in the "Description of the Notes"). See "Risk Factors — Risks Relating to the Notes — We may designate any Restricted Subsidiaries to be Unrestricted Subsidiaries subject to the conditions set forth in the Indentures and after such designation, those subsidiaries will not be subject to various covenants under the Indentures."

***Issuance of senior notes***

On July 9, 2020, we issued the July 2023 Notes and the July 2025 Notes. See "Description of Other Material Indebtedness."

On August 3, 2020, we issued the August 2024 Notes. See "Description of Other Material Indebtedness".

On December 1, 2020, we issued the additional July 2025 Notes and the Additional August 2024 Notes. See "Description of Other Material Indebtedness."

On January 26, 2021, we issued the Existing 2024 Notes and the January 2026 Notes. See "Description of Other Material Indebtedness."

***Full repayment of the August 2020 Notes***

On August 8, 2020, the August 2020 Notes matured and were fully repaid by us.

***Repurchase of a Portion and full repayment of January 2021 Notes***

On December 8, 2020, we completed the offer to purchase the January 2021 Notes and after cancellation of the January 2021 Notes repurchased pursuant to the offer, an aggregate principal amount of approximately US$242.9 million of January 2021 Notes remains outstanding. On January 15, 2021, the January 2021 Notes matures and were fully repaid by us.

***Full redemption of the February 2022 Notes***

On February 22, 2021, we fully redeemed the February 2022 Notes.

***Land acquisition***

Subsequent to June 30, 2020, we entered into certain agreements in relation to the purchase of land parcels. The following table sets forth certain information concerning such land parcels, which are acquired for our future development:

| Region | Total site area | Estimated aggregate GFA |
|---|---|---|
| | (sq.m.) | (sq.m.) |
| Beijing | 196,487 | 1,002,282 |
| Northern China | 440,326 | 986,040 |
| Shanghai | 136,372 | 348,197 |
| Southwestern China | 4,429,632 | 6,978,077 |
| **Total** | **5,202,817** | **9,314,596** |

***Impact of COVID-19 Pandemic***

The COVID-19 pandemic which began at the end of 2019 has affected millions of individuals and adversely impacted national economies worldwide, including China. On March 11, 2020, the World Health Organization (the "WHO") declared COVID-19 outbreak a global pandemic. Lockdowns and travel restrictions were imposed on numerous cities in China and the world as part of various governments' efforts to curb the spread of COVID-19. The COVID-19 outbreak has affected our business operation and financial condition. During the three months ended March 31, 2020, our revenue and contracted sales declined as compared to the corresponding period in the prior year due to the impact of COVID-19. However, the PRC central and local governments have taken various measures to manage cases and reduce potential spread and impact of infection, and further introduced various policies to boost the economy and stimulate the local property markets. Since April 2020, China and some other countries gradually lifted stay-at-home orders and began to resume work and school at varying levels and scopes. As a consequence, we experienced a recovery in our contracted sales in April 2020.

As of the date of this offering memorandum, our overall property development activities had generally progressed in accordance with our plan. For more discussions on the potential impact from the outbreak on us, see "Risk Factors — Risks Relating to Our Business — The national and regional economies may be adversely affected by natural disasters, severe weather conditions, epidemics, pandemics, acts of war and political unrest, which are beyond our control and which may cause damage, loss or disruption to our business."

## General Information

We were incorporated in the Cayman Islands on April 27, 2007, as an exempted company with limited liability. Our ordinary shares have been listed on the Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") since October 7, 2010 under stock code 1918. Our principal place of business in the PRC is located at 10/F, Building C7, Magnetic Plaza, Binshuixi Road, Nankai District, Tianjin 300381, PRC. Our principal place of business in Hong Kong is located at Room 1707, 17/F, Alexandra House, 18 Chater Road, Central, Hong Kong. Our registered office is located at One Nexus Way, Camana Bay, Grand Cayman KY1-9005, Cayman Islands. Our website is www.sunac.com.cn. Information contained on our website does not constitute part of this offering memorandum.

## THE OFFERING

Terms used in this summary and not otherwise defined shall have the meanings given to them in "Description of the 2025 Notes" and "Description of the 2024 Notes."

| | |
|---|---|
| Issuer | Sunac China Holdings Limited (the "Company"). |
| New Notes Offered | US$210,000,000 aggregate principal amount of 6.5% Senior Notes due 2025 (the "New 2025 Notes"), to be consolidated and form a single series with the US$540,000,000 6.5% Senior Notes due 2025 issued by the Company on January 10, 2020 (the "Existing 2025 Notes" and, together with the New 2025 Notes, the "2025 Notes"). The terms for the New 2025 Notes are the same as those for the Existing 2025 Notes in all respects except for the issue date, the issue price and the first payment of interest.<br><br>US$342,000,000 aggregate principal amount of 5.95% Senior Notes due 2024 (the "New 2024 Notes" and, together with the New 2025 Notes, the "New Notes"), to be consolidated and form a single series with the US$600,000,000 5.95% Senior Notes due 2024 issued by the Company on January 26, 2021 (the "Existing 2024 Notes" and, together with the New 2024 Notes, the "2024 Notes"). The terms for the New 2024 Notes are the same as those for the Existing 2024 Notes in all respects except for the issue date and the issue price. |
| Offering Price | 100.665% of the principal amount of the New 2025 Notes, plus accrued interest from (and including) January 10, 2021 to (but excluding) March 2, 2021.<br><br>100.246% of the principal amount of the New 2024 Notes, plus accrued interest from (and including) January 26, 2021 to (but excluding) March 2, 2021. |
| Maturity Date | The 2025 Notes will mature on January 10, 2025.<br><br>The 2024 Notes will mature on April 26, 2024. |
| Interest and Interest Payment Dates | The New 2025 Notes bear interest at a rate of 6.5% per annum, payable semi-annually in arrears on January 10 and July 10 of each year, commencing July 10, 2021.<br><br>The New 2024 Notes bear interest at a rate of 5.95% per annum, payable semi-annually in arrears on April 26 and October 26 of each year, commencing October 26, 2021, except that the first payment of interest, to be made on October 26, 2021, will be in respect of the period from and including March 2, 2021 to (but excluding) October 26, 2021. |

| | |
|---|---|
| Ranking of the Notes..... | The Notes are:<br><br>• general obligations of the Company;<br><br>• senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes;<br><br>• at least *pari passu* in right of payment with the Existing Pari Passu Secured Indebtedness (as defined herein) and all other unsecured and unsubordinated Indebtedness of the Company (subject to any priority rights of such unsecured and unsubordinated Indebtedness pursuant to applicable law);<br><br>• guaranteed by the Subsidiary Guarantors on a senior basis, subject to certain limitations described under the caption "Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral" and "Description of the Notes — The Subsidiary Guarantees;"<br><br>• effectively subordinated to the other secured obligations (if any) of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors, to the extent of the value of the assets serving as security therefor (other than the Collateral); and<br><br>• effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.<br><br>After the extension of the benefit of the security interests created over the Collateral (as described below) to the Holders and until the Release Date (as defined in "Description of the Notes," subject to certain limitations described under "Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral" and "Description of the 2025 Notes — Security," and "Description of the 2024 Notes – Security" the Notes will, prior to the Release Date:<br><br>• be entitled to a lien on the Collateral (subject to any Permitted Liens and the Intercreditor Agreement (as defined herein) shared on a *pari passu* basis with the holders of the Existing Pari Passu Secured Indebtedness and holders of other Permitted Pari Passu Secured Indebtedness);<br><br>• rank effectively senior in right of payment to unsecured obligations of the Company with respect to the value of the Collateral securing the Notes (subject to any priority rights of such unsecured obligations pursuant to applicable law); and<br><br>• rank effectively senior in right of payment to unsecured obligations of the Subsidiary Guarantor Pledgors with respect to the value of the Collateral securing the applicable Subsidiary Guarantee (subject to any priority rights of such unsecured obligations pursuant to applicable law). |

| | |
|---|---|
| Subsidiary Guarantees..... | Each of the Subsidiary Guarantors will, jointly and severally, guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes.<br><br>A Subsidiary Guarantee may be released in certain circumstances. See "Description of the Notes — The Subsidiary Guarantees — Release of the Subsidiary Guarantees and JV Subsidiary Guarantees."<br><br>The initial Subsidiary Guarantors will consist of all of the Restricted Subsidiaries other than those Restricted Subsidiaries organized under the laws of the PRC, and the Existing Offshore Non-Guarantor Subsidiaries.<br><br>All of the initial Subsidiary Guarantors are holding companies that do not have significant operations. See "Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral — Our initial Subsidiary Guarantors do not currently have significant operations and certain Subsidiary Guarantees may in some cases be replaced by limited-recourse guarantees."<br><br>The Company will cause (i) each of its future Restricted Subsidiaries (other than Persons organized under the laws of the PRC, the Exempted Subsidiaries or the Listed Subsidiaries), as soon as practicable (and in any event within 30 days) after it becomes a Restricted Subsidiary, an Exempted Subsidiary, as soon as practicable (and in any event within 30 days) after it ceases to be an Exempted Subsidiary, and (iii) a Listed Subsidiary, as soon as practicable (and in any event within 30 days) after such Listed Subsidiary ceases to be listed a Listed Subsidiary (entities in clause (i), (ii) and (iii), each a "Potential Subsidiary Guarantor") to provide a guarantee of the Notes as either a Subsidiary Guarantor or a JV Subsidiary Guarantor.<br><br>Notwithstanding the foregoing sentence, the Company may elect to have any Potential Subsidiary Guarantor organized outside the PRC not provide a Subsidiary Guarantee or a JV Subsidiary Guarantee (Restricted Subsidiaries (other than those organized under the laws of the PRC, the Exempted Subsidiaries and the Listed Subsidiaries) that do not provide Subsidiary Guarantee or JV Subsidiary Guarantee in accordance with the Indentures, the "New Non-Guarantor Subsidiaries") at the time such entity becomes a Restricted Subsidiary or has ceased to be an Exempted Subsidiary or a Listed Subsidiary, as the case may be; provided that, after giving effect to the Consolidated Assets of such New Non-Guarantor Subsidiaries, the Consolidated Assets of the Relevant Non-Guarantor Subsidiaries do not account for more than 25.0% of the Relevant Total Assets of the Company. |

| | |
|---|---|
| Ranking of Subsidiary Guarantees.. | The Subsidiary Guarantee of each Subsidiary Guarantor:<br><br>• is a general obligation of such Subsidiary Guarantor;<br><br>• is effectively subordinated to the secured obligations (if any) of such Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor (other than the Collateral);<br><br>• is senior in right of payment to all future obligations of such Subsidiary Guarantor expressly subordinated in right of payment to such Subsidiary Guarantee; and<br><br>• ranks at least *pari passu* with its guarantee for the Existing Pari Passu Secured Indebtedness and all other unsecured and unsubordinated Indebtedness of such Subsidiary Guarantor (subject to any priority rights of such unsecured and unsubordinated Indebtedness pursuant to applicable law).<br><br>After the extension of the benefit of the security interests created over the Collateral to the Holders and until the Release Date, subject to certain limitations described under "Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral" and "Description of the Notes — Security," the Subsidiary Guarantees of each Subsidiary Guarantor Pledgor will, prior to the Release Date:<br><br>• be entitled to a lien on the Collateral pledged by such Subsidiary Guarantor Pledgor (subject to any Permitted Liens and the Intercreditor Agreement and shared on a *pari passu* basis with the holders of the Existing Pari Passu Secured Indebtedness and holders of other Permitted Pari Passu Secured Indebtedness); and<br><br>• rank effectively senior in right of payment to the unsecured obligations of such Subsidiary Guarantor Pledgor with respect to the value of the Collateral securing such Subsidiary Guarantee.<br><br>See "Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral." |
| Ranking of JV Subsidiary Guarantees..... | A JV Subsidiary Guarantee may be provided by a Restricted Subsidiary in lieu of a Subsidiary Guarantee following a sale or issuance of shares by the Company or any of its Restricted Subsidiaries of Capital Stock in such Restricted Subsidiary, where such sale is for no less than 20% and no more than 49.9% of the issued Capital Stock of such Restricted Subsidiary or following a purchase by the Company or any of its Restricted Subsidiaries of no less than 50.1% and no more than 80.0% of the Capital Stock of an independent third party, which becomes a Restricted Subsidiary after the purchase. No JV Subsidiary Guarantee exists as of the Original Issue Date. |

The JV Subsidiary Guarantee of each JV Subsidiary Guarantor:

- will be a general obligation of such JV Subsidiary Guarantor;
- will be enforceable only up to the JV Entitlement Amount;
- will be effectively subordinated to the secured obligations of such JV Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor;
- will be senior in right of payment to all future obligations of such JV Subsidiary Guarantor expressly subordinated in right of payment of such JV Subsidiary Guarantee; and
- will rank at least *pari passu* with all other unsecured and unsubordinated Indebtedness of such JV Subsidiary Guarantor (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law).

Security to be Granted..... The Company and the initial Subsidiary Guarantor Pledgors have pledged in favor of the Collateral Agent the capital stock of all of the initial Subsidiary Guarantors owned by the Company or the Subsidiary Guarantor Pledgors (subject to Permitted Liens and *pari passu* sharing as described below) in order to secure the obligations of the Company under the debt agreements of the Existing Pari Passu Secured Indebtedness and of such Subsidiary Guarantor Pledgors under their respective subsidiary guarantees of the Existing Pari Passu Secured Indebtedness and the obligations of the Company or any Subsidiary Guarantor Pledgor under other Permitted Pari Passu Secured Indebtedness.

Upon the accession by the Trustee to the Intercreditor Agreement, the benefit of the Collateral will be extended to secure the obligations of the Company under the Notes and of the Subsidiary Guarantor Pledgors under their respective Subsidiary Guarantees.

In addition, the Collateral will be shared on a *pari passu* basis pursuant to the Intercreditor Agreement by the holders of the Existing Pari Passu Secured Indebtedness and the other current and future holders of Permitted Pari Passu Secured Indebtedness (subject to conditions of completion and accession to the Intercreditor Agreement) as of the Original Issue Date. See "Description of the Notes — Security."

The Collateral securing the Notes and the Subsidiary Guarantees may be released or reduced in the event of certain asset sales and certain other circumstances.

In addition, the Collateral may be released at any time after the date on which no outstanding Indebtedness other than the Notes is secured by the Collateral; provided that, no Default has occurred and is continuing on such date.

| | |
|---|---|
| Intercreditor Agreement ..... | (i) The Company, (ii) the initial Subsidiary Guarantor Pledgors, (iii) the Collateral Agent, (iv) DB Trustees (Hong Kong) Limited, as trustee with respect to the 2013 Notes and the 2012 Notes have entered into an intercreditor agreement dated as of April 5, 2013, to which DB Trustees (Hong Kong) Limited as trustee with respect to, among others, the July 2021 Notes, the August 2022 Notes, the April 2023 Notes, the October 2023 Notes, the June 2022 Notes, the February 2024 Notes, the July 2023 Notes, the July 2025 Notes, the August 2024 Notes and the January 2026 Notes acceded on the respective issue dates, including April 19, 2018, August 8, 2017, April 19, 2018, April 11, 2019, June 14, 2019, November 1, 2019, July 9, 2020, July 9, 2020, August 3, 2020 and January 26, 2021, respectively, and to which the 2019 CCB Facility Agent with respect to the 2019 CCB Facilities acceded on August 20, 2019, and as so amended, supplemented or modified from time to time (the "Intercreditor Agreement"). The Trustees for the Notes have acceded to the Intercreditor Agreement on the relevant original issue dates of the Existing 2025 Notes and the Existing 2024 Notes, pursuant to which the parties thereto agree that (1) the secured parties thereto and the holders of any future Permitted Pari Passu Secured Indebtedness (or their trustee, representative or agent) will share equal priority and pro rata entitlement in and to the Collateral; (2) the Collateral shall only be substituted or released and Liens only be granted on the Collateral to the extent permitted under the Debt Documents (as defined herein); (3) holders of any future Permitted Pari Passu Secured Indebtedness (or their respective trustees, representatives or agents) that are secured by the Collateral shall also appoint the Collateral Agent to act as their collateral agent with respect to the Collateral; and (4) the conditions under which the Collateral Agent shall enforce the rights of the secured parties thereto with respect to the Collateral and the Indebtedness secured thereby. See "Description of the Notes — Security — Intercreditor Agreement." |
| Use of Proceeds ..... | We estimate that the gross proceeds from this offering, before deducting the selling discounts and commissions in connection with this offering and excluding accrued interest, will be US$554.2 million. We intend to use the net proceeds for refinancing our mid-term and long-term offshore indebtedness which will become due and payable within a year. Pending application of the net proceeds of this offering, we intend to invest such net proceeds in "Temporary Cash Investments" as defined under "Description of the Notes." |
| Optional Redemption ..... | The 2025 Notes:<br><br>The Company may at its option redeem the 2025 Notes, in whole or in part, at any time and from time to time on or after January 10, 2023 at a redemption price set forth in "Description of the 2025 Notes — Optional Redemption" plus accrued and unpaid interest, if any, to the redemption date. |

| | |
|---|---|
| | At any time prior to January 10, 2023, the Company may, at its option, redeem the 2025 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2025 Notes plus the Applicable Premium (as defined in the "Description of the 2025 Notes") as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. |
| | At any time and from time to time prior to January 10, 2023, the Company may redeem up to 35% of the aggregate principal amount of the 2025 Notes at a redemption price of 106.5% of the principal amount of the 2025 Notes, plus accrued and unpaid interest if any, to (but not including) the redemption date, with the proceeds from sales of certain kinds of its capital stock, subject to certain conditions. |
| | The 2024 Notes: |
| | The Company may at its option redeem the 2024 Notes, in whole or in part, at any time and from time to time on or after January 26, 2023 at a redemption price set forth in "Description of the 2024 Notes — Optional Redemption" plus accrued and unpaid interest, if any, to the redemption date. |
| | At any time prior to January 26, 2023, the Company may, at its option, redeem the 2024 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium (as defined in the "Description of the 2024 Notes") as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. |
| | At any time and from time to time prior to January 26, 2023, the Company may redeem up to 35% of the aggregate principal amount of the 2024 Notes at a redemption price of 105.95% of the principal amount of the 2024 Notes, plus accrued and unpaid interest if any, to (but not including) the redemption date, with the proceeds from sales of certain kinds of its capital stock, subject to certain conditions. |
| Repurchase of Notes Upon a Change of Control Triggering Event ..... | Upon the occurrence of a Change of Control Triggering Event, the Company will make an offer to repurchase all outstanding Notes at a purchase price equal to 101% of their principal amount plus accrued and unpaid interest, if any, to (but not including) the repurchase date. |
| Redemption for Taxation Reason .... | Subject to certain exceptions and as more fully described herein, the Company may redeem the Notes, as a whole but not in part, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed by the Company for redemption, if the Company or a Subsidiary Guarantor would become obligated to pay certain additional amounts as a result of certain changes in specified tax laws. See "Description of the Notes — Redemption for Taxation Reasons." |

| | |
|---|---|
| Covenants ..... | The Notes, the Indentures governing the Notes and the Subsidiary Guarantees and the JV Subsidiary Guarantees will limit the Company's ability and the ability of its Restricted Subsidiaries to, among other things:<br><br>• incur or guarantee additional indebtedness and issue disqualified or preferred stock;<br><br>• declare dividends on its capital stock or purchase or redeem capital stock;<br><br>• make investments or other specified restricted payments;<br><br>• issue or sell capital stock of Restricted Subsidiaries;<br><br>• guarantee indebtedness of Restricted Subsidiaries;<br><br>• sell assets;<br><br>• create liens;<br><br>• enter into sale and leaseback transactions;<br><br>• enter into agreements that restrict the Restricted Subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;<br><br>• enter into transactions with shareholders or affiliates; and<br><br>• effect a consolidation or merger.<br><br>These covenants are subject to a number of important qualifications and exceptions described in "Description of the Notes — Certain Covenants." |
| Transfer Restrictions ..... | The New Notes will not be registered under the Securities Act or under any state securities laws of the United States and will be subject to customary restrictions on transfer and resale. See "Transfer Restrictions." |
| Form, Denomination and Registration ..... | The New Notes will be issued only in fully registered form, without coupons, in minimum denominations of US$200,000 of principal amount and integral multiples of US$1,000 in excess thereof and will be initially represented by one or more global notes registered in the name of a nominee of a common depositary for Euroclear and Clearstream. |
| Book-Entry Only..... | The New Notes will be issued in book-entry form through the facilities of Euroclear and Clearstream for the accounts of its participants. For a description of certain factors relating to clearance and settlement, see "Description of the Notes — Book-Entry; Delivery and Form." |

| | |
|---|---|
| Delivery of the Notes ..... | The Company expects to make delivery of the New Notes, against payment in same-day funds, on or about March 2, 2021 which the Company expects will be the third business day following the date of this offering memorandum referred to as "T+3." You should note that initial trading of the Notes may be affected by the T+3 settlement. See "Plan of Distribution." |
| Paying Agent ..... | Deutsche Bank AG, Hong Kong Branch |
| Trustee and Collateral Agent ..... | DB Trustees (Hong Kong) Limited |
| Note Registrar..... | Deutsche Bank AG, Hong Kong Branch |
| Listing..... | The Existing 2025 Notes and the Existing 2024 Notes are listed and quoted on the SGX-ST. Application will be made to the SGX-ST for the listing and quotation of the New Notes on the SGX-ST. For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Notes, if traded on the SGX-ST, will be traded in a minimum board lot size of S$200,000 (or its equivalent in foreign currencies). Accordingly, the Notes, if traded on the SGX-ST, will be traded in a minimum board lot size of US$200,000. |
| Ratings..... | The Notes have been rated "B+" by Standard & Poor's Ratings Services, "B1" by Moody's Investors Service and "BB" by Fitch Ratings Ltd. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency. |

Security Codes.....

| | ISIN | Common Code |
|---|---|---|
| 2025 Notes ..... | XS2100444772 | 210044477 |
| 2024 Notes ..... | XS2287889708 | 228788970 |

| | |
|---|---|
| Governing Law ..... | The Notes and the Indentures will be governed by and will be construed in accordance with the laws of the State of New York. The relevant pledge documents will be governed under the laws of the jurisdiction in which the relevant Subsidiary Guarantor is incorporated. |
| Risk Factors..... | For a discussion of certain factors that should be considered in evaluating an investment in the Notes, see "Risk Factors." |

## SUMMARY CONSOLIDATED FINANCIAL DATA

The following summary consolidated financial information as of and for each of the years ended December 31, 2017, 2018 and 2019 (except for EBITDA data) has been derived from our audited consolidated financial statements for the years ended December 31, 2018 and 2019, which have been audited by PricewaterhouseCoopers, our independent auditor, and are included elsewhere in this offering memorandum. The following selected interim condensed consolidated financial information as of and for the six months ended June 30, 2019 and 2020 (except for EBITDA data) has been derived from our unaudited interim condensed consolidated financial information as of and for the six months ended June 30, 2020, which has been reviewed by PricewaterhouseCoopers, our independent auditor, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" and are included elsewhere in this offering memorandum. Results for interim periods are not indicative of the results for the full year. You should read the summary financial data below in conjunction with the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the related notes included elsewhere in this offering memorandum. Historical results are not necessarily indicative of results that may be achieved in any future period. Our consolidated financial statements have been prepared and presented in accordance with HKFRS, which differ in certain respects from generally accepted accounting principles in other jurisdictions.

We adopted the new HKFRS 9 for the year ended December 31, 2018. We adopted the transitional provisions in HKFRS 9 and for the impact on the financial information for the year ended December 31, 2017 and 2018 from the the adoption of the new HKFRS 9, please see the sub-section titled "3. Change in accounting policy" in our audited financial statements for the year of December 31, 2018 as included elsewhere in this offering memorandum for details.

We adopted the new HKFRS 16 retrospectively from January 1, 2019, but has not restated comparatives for the reporting period of 2018 or before, as permitted under the specific transitional provisions in the standard. Please see the sub-section titled "3. Changes in accounting policies" in our audited financial statements for the year of December 31, 2019 as included elsewhere in this offering memorandum for details.

We also elected to early adopt the amendments to HKFRS 3 Definition of a Business which issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The amendments are effective for the financial year beginning on or after January 1, 2020. As permitted by HKFRS 3, this application was prospectively from January 1, 2019 and there was no impact on the amounts recognised in prior periods. Please see the sub-section titled "2.1 Basis of preparation" in our audited financial statements for the year of December 31, 2019 as included elsewhere in this offering memorandum for details.

### Summary Consolidated Income Statement and Other Financial Data

| | Year ended December 31, | | | | Six months ended June 30, | | |
|---|---|---|---|---|---|---|---|
| | 2017 | 2018 | 2019 | | 2019 | 2020 | |
| | (RMB'000) | (RMB'000) | (RMB'000) | (US$'000) (unaudited) | (RMB'000) (unaudited) | (RMB'000) (unaudited) | (US$'000) (unaudited) |
| Revenue | 65,873,515 | 124,745,623 | 169,316,010 | 23,965,126 | 76,837,895 | 77,341,665 | 10,947,002 |
| Cost of sales | (52,245,803) | (93,609,587) | (127,909,685) | (18,104,441) | (57,484,437) | (59,585,858) | (8,433,831) |
| **Gross profit** | 13,627,712 | 31,136,036 | 41,406,325 | 5,860,685 | 19,353,458 | 17,755,807 | 2,513,171 |
| Other income and gains | 27,916,263 | 11,848,091 | 14,187,962 | 2,008,176 | 5,189,148 | 7,308,023 | 1,034,384 |
| Selling and marketing costs | (3,419,436) | (4,360,530) | (6,166,473) | (872,808) | (2,563,053) | (2,615,289) | (370,170) |
| Administrative expenses | (3,535,411) | (7,356,570) | (8,286,551) | (1,172,885) | (4,074,070) | (3,685,860) | (521,700) |
| Other expenses and losses | (10,336,909) | (1,986,111) | (1,222,133) | (172,982) | (1,058,495) | (634,957) | (89,872) |
| Net impairment losses on financial and contract assets | (2,376,177) | (3,485,395) | (1,894,122) | (268,096) | (1,147,332) | (96,047) | (13,595) |

| | Year ended December 31, | | | | Six months ended June 30, | | |
|---|---|---|---|---|---|---|---|
| | 2017 | 2018 | 2019 | | 2019 | 2020 | |
| | (RMB'000) | (RMB'000) | (RMB'000) | (US$'000) (unaudited) | (RMB'000) (unaudited) | (RMB'000) (unaudited) | (US$'000) (unaudited) |
| **Operating profit** | 21,876,042 | 25,795,521 | 38,025,008 | 5,382,091 | 15,699,656 | 18,031,677 | 2,552,218 |
| Finance income | 736,000 | 806,208 | 1,183,244 | 167,477 | 620,088 | 861,111 | 121,882 |
| Finance expenses | (5,259,450) | (2,893,493) | (4,808,250) | (680,564) | (1,233,268) | (2,451,591) | (347,000) |
| Finance expenses — net | (4,523,450) | (2,087,285) | (3,625,006) | (513,086) | (613,180) | (1,590,480) | (225,118) |
| Share of post-tax profits/(losses) of investments accounted for using equity method, net | (1,993,604) | 4,955,994 | 8,146,321 | 1,153,037 | 3,630,399 | 2,414,541 | 341,756 |
| **Profit before income tax** | 15,358,988 | 28,664,230 | 42,546,323 | 6,022,041 | 18,716,875 | 18,855,738 | 2,668,856 |
| Income tax expenses | (3,694,608) | (11,219,229) | (14,390,265) | (2,036,810) | (7,425,766) | (7,154,856) | (1,012,704) |
| **Profit for the year/period** | 11,664,380 | 17,445,001 | 28,156,058 | 3,985,231 | 11,291,109 | 11,700,882 | 1,656,152 |
| **Attributable to:** | | | | | | | |
| Owners of the Company | 11,003,863 | 16,566,535 | 26,027,505 | 3,683,954 | 10,286,306 | 10,959,122 | 1,551,163 |
| Holders of perpetual capital securities | 679,084 | 591,179 | 319,010 | 45,153 | 173,183 | 68,297 | 9,667 |
| Other non-controlling interests | (18,567) | 287,287 | 1,809,543 | 256,124 | 831,620 | 673,463 | 95,323 |
| | 11,664,380 | 17,445,001 | 28,156,058 | 3,985,231 | 11,291,109 | 11,700,882 | 1,656,152 |
| **Other financial data (unaudited):** | | | | | | | |
| EBITDA[1] | 20,949,362 | 42,708,213 | 59,440,157 | 8,413,208 | 26,975,222 | 30,839,766 | 4,365,086 |
| EBITDA margin[2] | 31.8% | 34.2% | 35.1% | 35.1% | 35.1% | 39.9% | 39.9% |

*Notes:*

(1) EBITDA consists of profit for any period before finance costs (including capitalized finance costs under cost of sales), income tax expenses, amortization of intangible assets and share option expenses amortization of right-of use assets, intangible assets, share option expenses and share award expenses, depreciation, valuation surplus of acquired properties included in cost of sales, dividends from associates/jointly controlled entities, losses on business combinations, losses of disposal of a subsidiary, losses/(gains) from fair value change of investment properties, derivative financial instruments and financial assets, impairment provision of assets, gains on business combinations, gains from disposal of a subsidiary, gains from disposal of associates/jointly controlled entities, gains from acquisitions of joint ventures and associates, share of profits of associates/jointly controlled entities, profit attributable to other non-controlling interests and profits attributable to holders of perpetual capital securities. EBITDA is not a standard measure under HKFRS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of financial performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. In evaluating EBITDA, we believe that investors should consider, among other things, the components of EBITDA such as sales and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. We have included EBITDA because we believe it is a useful supplement to cash flow data as a measure of our performance and our ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be identical to EBITDA measures used by us for other purposes and may not be comparable to similarly titled measures presented by other companies. Investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition. See the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations — Non-GAAP Financial Measures" for a reconciliation of our profit for the year under HKFRS to our definition of EBITDA. Investors should also note that EBITDA as presented herein may be calculated differently from consolidated EBITDA as defined and used in the Indentures. See the section entitled "Description of the Notes — Definitions" for a description of the manner in which Consolidated EBITDA is defined for purposes of the Indentures.

(2) EBITDA margin is calculated by dividing EBITDA by revenue.

## Summary Consolidated Balance Sheet Data

| | As of December 31, | | | | As of June 30, 2020 | |
|---|---|---|---|---|---|---|
| | 2017 | 2018 | 2019 | | | |
| | (RMB'000) | (RMB'000) | (RMB'000) | (US$'000) (unaudited) | (RMB'000) (unaudited) | (US$'000) (unaudited) |
| **ASSETS** | | | | | | |
| **Non-current assets** | | | | | | |
| Property, plant and equipment | 39,262,620 | 49,224,305 | 70,101,779 | 9,922,263 | 75,233,549 | 10,648,618 |
| Investment properties | 12,821,611 | 16,195,739 | 26,845,510 | 3,799,735 | 28,027,637 | 3,967,055 |
| Right-of-use assets | — | — | 14,918,041 | 2,111,512 | 16,193,830 | 2,292,088 |
| Intangible assets | — | — | 7,667,411 | 1,085,252 | 9,132,708 | 1,292,651 |
| Land use rights and intangible assets | 3,637,131 | 16,020,807 | — | — | — | — |
| Deferred tax assets | 1,913,730 | 2,984,740 | 8,585,312 | 1,215,172 | 10,619,482 | 1,503,090 |
| Investments accounted for using the equity method | 58,613,221 | 65,496,826 | 88,994,292 | 12,596,324 | 80,935,222 | 11,455,637 |
| Financial assets at fair value through profit or loss | — | 9,872,592 | 15,588,783 | 2,206,449 | 18,328,671 | 2,594,255 |
| Receivables | 915,750 | 558,000 | 48,000 | 6,794 | 48,000 | 6,794 |
| Prepayments | 4,950,793 | 2,276,912 | 3,018,098 | 427,184 | 2,641,743 | 373,914 |
| Available-for-sale financial assets | 871,578 | — | — | — | — | — |
| Derivative financial instruments | 14,865 | 125,817 | 31,629 | 4,477 | 78,470 | 11,107 |
| Amounts due from related companies | 500,016 | 666,452 | 170,000 | — | — | — |
| | 123,501,315 | 163,422,190 | 235,968,855 | 33,399,224 | 241,239,312 | 34,145,208 |
| **Current assets** | | | | | | |
| Properties under development | 271,514,992 | 291,913,575 | 426,783,378 | 60,407,266 | 452,501,115 | 64,047,376 |
| Completed properties held for sale | 42,242,613 | 47,336,265 | 55,189,210 | 7,811,526 | 58,823,032 | 8,325,860 |
| Inventories | 10,771 | 14,967 | 490,307 | 69,398 | 669,617 | 94,778 |
| Trade and other receivables | 18,411,699 | 27,392,266 | 47,154,324 | 6,674,261 | 53,012,524 | 7,503,436 |
| Contract assets | 263,936 | 932,328 | 2,059,897 | 291,559 | 2,354,404 | 333,244 |
| Derivative financial instruments | — | 153,507 | — | — | — | — |
| Amounts due from related companies | 60,582,774 | 48,299,169 | 40,688,593 | 5,759,097 | 39,576,533 | 5,601,695 |
| Prepayments | 4,509,791 | 10,414,376 | 14,662,840 | 2,075,390 | 13,952,424 | 1,974,837 |
| Prepaid income tax | 5,345,490 | 6,449,795 | 7,320,149 | 1,036,100 | 8,659,923 | 1,225,733 |
| Restricted cash | 28,285,601 | 44,017,011 | 47,787,028 | 6,763,815 | 35,626,769 | 5,042,642 |
| Cash and cash equivalents | 68,433,256 | 76,181,041 | 77,943,661 | 11,032,209 | 85,228,617 | 12,063,328 |
| Assets classified as held for sale | — | — | 4,401,000 | 622,921 | 4,401,000 | 622,921 |
| Financial assets at fair value through profit or loss | — | 133,500 | 200,000 | 28,308 | 356,118 | 50,405 |
| | 499,600,923 | 553,237,800 | 724,680,387 | 102,571,851 | 755,162,076 | 106,886,254 |
| **Total assets.** | 623,102,238 | 716,659,990 | 960,649,242 | 135,971,075 | 996,401,388 | 141,031,463 |
| **Equity** | | | | | | |
| **Equity attributable to owners of the Company** | | | | | | |
| Share capital | 377,608 | 378,421 | 382,339 | 54,117 | 400,494 | 56,686 |
| Other reserves | 16,649,452 | 14,259,603 | 17,510,617 | 2,478,467 | 20,500,378 | 2,901,640 |
| Retained earnings | 26,775,180 | 42,198,205 | 65,180,292 | 9,225,672 | 76,139,414 | 10,776,835 |
| | 43,802,240 | 56,836,229 | 83,073,248 | 11,758,255 | 97,040,286 | 13,735,161 |
| Perpetual capital securities. | 9,288,432 | 5,526,772 | 2,789,505 | 394,829 | 788,028 | 111,538 |
| Other non-controlling interests.. | 7,547,553 | 10,743,568 | 28,231,491 | 3,995,908 | 36,052,033 | 5,102,834 |
| **Total equity** | 60,638,225 | 73,106,569 | 114,094,244 | 16,148,992 | 133,880,347 | 18,949,533 |
| **LIABILITIES** | | | | | | |
| **Non-current liabilities** | | | | | | |
| Borrowings. | 140,597,186 | 137,363,520 | 186,542,102 | 26,403,321 | 179,709,980 | 25,436,297 |
| Derivative financial instruments. | 167,634 | 79,509 | 14,358 | 2,032 | 87,104 | 12,329 |
| Lease liabilities | — | — | 436,848 | 61,832 | 483,658 | 68,457 |
| Deferred tax liabilities | 34,498,436 | 33,383,440 | 38,534,748 | 5,454,240 | 37,629,097 | 5,326,053 |
| Other payables | 1,492,327 | 1,474,373 | 145,727 | 20,626 | 354,419 | 50,165 |
| | 176,755,583 | 172,300,842 | 225,673,783 | 31,942,051 | 218,264,258 | 30,893,301 |
| **Current liabilities** | | | | | | |
| Trade and other payables | 68,789,140 | 92,786,353 | 147,133,931 | 20,825,456 | 162,628,153 | 23,018,521 |
| Contract liabilities | 131,190,587 | 199,378,610 | 240,818,329 | 34,085,622 | 243,379,571 | 34,448,142 |
| Amounts due to related companies | 91,947,252 | 62,663,166 | 58,933,995 | 8,341,566 | 58,049,815 | 8,216,418 |
| Current tax liabilities | 14,411,985 | 23,753,921 | 37,323,267 | 5,282,766 | 39,094,127 | 5,533,415 |
| Borrowings | 78,672,660 | 92,045,543 | 135,732,857 | 19,211,739 | 140,622,830 | 19,903,870 |
| Lease liabilities | — | — | 176,499 | 24,982 | 216,303 | 30,616 |
| Derivative financial instruments | 53,839 | 14,017 | — | — | — | — |
| Provisions | 642,967 | 610,969 | 762,337 | 107,902 | 265,984 | 37,648 |
| | 385,708,430 | 471,252,579 | 620,881,215 | 87,880,032 | 644,256,783 | 91,188,629 |
| **Total liabilities** | 562,464,013 | 643,553,421 | 846,554,998 | 119,822,083 | 862,521,041 | 122,081,930 |
| **Total equity and liabilities** | 623,102,238 | 716,659,990 | 960,649,242 | 135,971,075 | 996,401,388 | 141,031,463 |

*You should carefully consider the risks and uncertainties described below and other information contained in this offering memorandum before making an investment decision in relation to the New Notes. The risks and uncertainties described below may not be the only ones that exist. Additional risks and uncertainties that we are not aware of or that we currently believe are immaterial may also materially and adversely affect our business, prospects, financial condition and results of operations. If any of the possible events described below occur, our business, prospects, financial condition or results of operations could be materially and adversely affected and the market price of the Notes may decline. In such case, we may not be able to satisfy our obligations under the Notes, and you could lose all or part of your investment.*

## Risks Relating to Our Business

### *We depend heavily on the performance of the property market in the PRC, particularly in the regions we operate in*

We engage in property development in various cities in the PRC. Our success depends largely on the performance of the property market in China, particularly in the regions we operate in. As of June 30, 2020, we had a total of 749 property development projects in seven regions across China. See "Business — Property Development — Overview of Our Property Development Business." The PRC property market will continue to be affected by economic, monetary, fiscal or other policies and measures of the PRC government. If economic conditions in the PRC deteriorate as a result of a prolonged global economic downturn or otherwise, if the PRC government implements macro-economic control or other measures that aim to curtail, or have the effect of curtailing, property demand or property development in China, or if we fail to respond to changes in market conditions and government policies, in particular those related to our target markets, in a timely manner, our business, prospects, financial condition and results of operations would be materially and adversely affected. Any decreased property demand is likely to affect the selling prices of our properties as well as the time it will take us to pre-sell or sell our properties. Lower selling prices, without a corresponding decrease in costs, will adversely affect our gross profit and reduce cash flows generated from the sale of our properties, which may increase our reliance on external financing and negatively impact our ability to finance the growth of our business. Delays in selling properties will increase our selling and distribution costs as well as reduce the cash flows generated from the sale of our properties, which could have a material adverse effect on our business, prospects, financial condition and results of operations.

### *We maintain a high level of indebtedness to finance our capital intensive business, and we may not have adequate cash flow to fund our operations or to service our financing obligations*

The property development business is capital intensive. It typically requires substantial capital outlays for land acquisition and property development and it may take months or years before a cash inflow, if any, can be generated by the pre-sale or sale of a completed property development. As of December 31, 2017, 2018 and 2019 and June 30, 2020, our commitments for property development expenditure were RMB53,381.8 million, RMB84,832.6 million, RMB133,104.2 million (US$18,839.7 million) and RMB152,172.0 million (US$21,538.5 million), respectively. In addition, we engage selectively in primary land development projects, which also require significant capital outlays. We cannot assure you that we will be able to achieve or maintain a net cash inflow from operating activities in the future, and any decline or under-performance of our pre-sales or sales, and any other matter adversely impacting our net cash outflow, could adversely affect our financial condition.

In order to finance our capital intensive business, we have maintained a high level of indebtedness, of which a large amount is secured by certain of our properties and land use rights. As of December 31, 2017, 2018 and 2019 and June 30, 2020, our total borrowings amounted to RMB219,269.8 million, RMB229,409.1 million, RMB322,275.0 million (US$45,615.1 million) and RMB320,332.8 million (US$45,340.2 million), respectively. Of our total borrowings (including the Existing Notes, asset-backed securities, borrowings from other financial institutions, corporate bonds and private domestic corporate bonds) as of June 30, 2020, RMB102,322.7 million (US$14,482.8 million) was due within a period of one and two years, RMB63,081.4 million (US$8,928.6 million) was due within a period of two and five years and RMB14,305.8 million (US$2,024.9 million) was due within a period of more than five years. We cannot assure you that we will be able to obtain bank loans or renew existing credit facilities in the future

on terms acceptable to us or at all. Our ability to do so will depend on a number of factors, many of which are beyond our control. The PRC government has in the past implemented a number of policy initiatives in the financial sector to tighten lending requirements in general, such as by increasing the reserve requirement ratio for financial institutions in the PRC from time to time since 2010, and in particular for property developers, which, among other things:

- forbid PRC commercial banks from granting loans to property developers for funding the payments of land grant fees;
- forbid PRC commercial banks from granting loans to a property developer if the property developer's internal funds available are less than 20% of the total estimated capital required for social welfare housing and commodity properties, or less than 25% for other real estate construction project;
- restrict the grant or extension of revolving credit facilities to property developers that hold a large amount of idle land or vacant commodity properties;
- prohibit the grant of new project loans to property developers that leave land parcels idle or are engaged in land speculation;
- prohibit commercial banks from taking commodity properties that have been vacant for more than three years as security for mortgage loans;
- prohibit property developers from financing property developments with loans obtained from banks in regions outside the location of the relevant property developments;
- restrict PRC commercial banks from providing loans to property developers to develop luxury residential properties;
- restrict the ability of property developers to raise funds via foreign debt; and
- tighten the grant of trust financing to property developers to control the scale and growth of real estate financing.

Moreover, on September 21, 2018, Guangdong Real Estate Association issued an "Emergency Notice on the Relevant Opinions on Providing the Pre-sale Permit for Commodity Houses" (《關於請提供商品房預售許可有關意見的緊急通知》), asking for opinions on the cancelation of the pre-sale system of commodity residential properties. We cannot assure you that PRC governments will continue to allow pre-sale of properties or will not impose additional or more stringent requirements on pre-sale. In the event that the PRC governments prohibit pre-sale of properties or impose additional or more stringent requirements in connection with obtaining of pre-sale permits or the use of pre-sale proceeds, property developers like us may not have sufficient cash flow for property development projects and have liquidity problems. If we do not have sufficient cash flow from pre-sale to fund our future liquidity, pay our trade and bills payables and repay our outstanding debt obligations when they become due, we may need to significantly increase external borrowings or secure other external financing. If adequate funds are not available from external borrowings, whether on satisfactory terms or at all, we may be forced to delay or abandon our development and expansion plans, and our business, prospects, financial condition and results of operations may be materially and adversely affected.

We cannot assure you that we will have adequate cash flow to service our financing obligations. We have substantial interest obligations for our borrowings, and in 2017, 2018, 2019 and the six months ended June 30, 2019 and 2020, our interest expense on borrowings (including the capitalized portion) was RMB11,091.0 million, RMB14,623.7 million, RMB25,955.9 million (US$3,673.8 million), RMB11,812.7 million and RMB15,210.3 million (US$2,152.9 million), respectively. As of December 31, 2017, 2018 and 2019, the weighted average effective annual interest rate for our borrowings was 6.2%, 6.8% and 8.6%, respectively. A substantial portion of our borrowings are linked to benchmark lending rates published by the People's Bank of China (the "PBOC"). The PBOC has in the past raised the one-year benchmark lending rate from 5.31% to 5.56% in October 2010 and raised it several more times until it reached 6.56% in July 2011. In view of the risk of a downward trend in the economy, the PBOC then lowered such rate to 6.31% on June 8, 2012 and to 6.00% on July 6, 2012. On November 21, 2014, the PBOC decreased the

benchmark one-year lending rate to 5.6%. On October 24, 2015, the PBOC decreased the benchmark one-year lending rate to 4.35%. Whilst starting from July 20, 2013, commercial banks in China are permitted to set the lending interest rates for their loans at their own discretion, the benchmark lending rates published by the PBOC remain an influential reference to commercial banks. On August 25, 2019, the PBOC issued an announcement (PBOC Notice (2019) No. 16) regarding the interest rate for new mortgage loans, which provides that after October 8, 2019, new mortgage loans shall be priced by adding basis points to the latest monthly LPR of corresponding maturity. The PBOC may further raise the benchmark lending rate again in order to control the growth rate of the PRC economy or for other policy objectives. We cannot assure you that the PRC government will not introduce other initiatives which may limit our access to capital resources or increase our finance costs. The foregoing and other initiatives introduced by the PRC government may limit our flexibility and ability to use bank loans or other forms of financing to finance our property developments and therefore may require us to maintain a relatively high level of internally sourced cash. As a result, our business, financial condition and results of operations may be materially and adversely affected.

***We may not be able to obtain sites that are suitable for property developments at commercially suitable prices or at all***

Land prices have increased significantly in the PRC in recent years and may continue to increase in the future. To maintain and grow our business in the future, we will be required to replenish our land bank with suitable sites at reasonable cost. We have, and expect to maintain, a land bank sufficient for future development for four to five years. Our ability to identify and acquire suitable sites is subject to a number of factors that are beyond our control. The PRC government controls land supply in the PRC and regulates land sales in the secondary market. As a result, PRC government policies toward land supply affect our ability to acquire land use rights for sites we identify for development and the costs of any acquisition. The PRC central and local governments may regulate the means by which property developers, including us, obtain land sites for property developments. See "— Risks Relating to Property Development in the PRC — Our business is subject to extensive governmental regulation" and "— Risks Relating to Property Development in the PRC — The PRC government may adopt measures to slow down the property development sector's rate of growth in the future." In addition, there may not be land available in attractive locations in our target cities for new development or re-development. We cannot assure you that we will be able to identify and acquire sufficient and appropriate sites at reasonable prices, or at all, in the future. Any inability to identify and acquire sufficient and appropriate sites for our land reserves would result in uncertainties in our future development schedules, which in turn would have a material adverse effect on our future growth prospects, profitability and profit margins.

***We may not be successful in expanding into new geographic markets or developing new property products***

We continue to expand our business into new geographic markets and to develop new property products in our current or future target markets. We may also selectively pursue strategic acquisitions of or investments in project companies in our existing or new geographic markets if suitable opportunities arise. Any expansion or new product development may require a significant amount of capital investment and involve a series of risks, such as those of operating in a new geographic market or developing a new property product in which we have relatively little experience. We may also have to address the challenges of integrating new businesses and the diversion of management's attention and other resources. Our failure to address these risks may have a material adverse effect on our business, financial condition and results of operations.

***We may undertake mergers, acquisitions or investments to expand our business that may pose risks to our business or subject us to unknown or contingent liabilities, and we may not realize the anticipated benefits of these mergers, acquisitions or investments***

As part of our growth, we continue to evaluate opportunities to acquire or invest in other businesses and expand the breadth of markets we can address. See the sections headed "Corporate Structure — Our Recent Major Organizational Activities" for further information. Mergers, acquisitions or investments that we have entered in, and may enter into in the future, entail a number of risks that could materially and adversely affect our business, operating and financial results, including, among others, problems integrating the acquired operations into our existing business, diversion of management's time and attention from our existing business, inability to secure adequate funding to finance the acquisition and

operations thereafter, requirement for financial resources above our planned investment levels, significant debt incurrence resulting in a higher leverage, failures in recognizing anticipated synergies, difficulties in retaining business relationships with suppliers and customers of the acquired company, risks associated with entering markets in which we lack experience, and potential loss of key employees of the acquired company. Any such acquisition or investment will likely require a significant amount of capital investment, which would decrease the amount of cash available for working capital or capital expenditures. In addition, the targets of our mergers, acquisitions or investments may be subject to unknown or contingent liabilities for which we may have no recourse, or only limited recourse, against the then shareholders who owned the targets or the then directors of the targets immediately prior to our mergers, acquisitions or investments. We may not receive any indemnification for such unknown or contingent liabilities, and there is no guarantee that we will recover any amounts with respect to losses due to such unknown or contingent liabilities. Our failure to address these risks successfully may have a material adverse effect on our financial condition and results of operations.

On July 19, 2017, Sunac Real Estate entered into an equity transfer agreement with Dalian Wanda Commercial Properties Co., Ltd. ("Dalian Wanda Commercial Properties"), pursuant to which Sunac Real Estate agreed to acquire, and Dalian Wanda Commercial Properties agreed to dispose of, a 91% equity interest in Dalian Wanda Commercial Properties' 14 cultural and tourism project companies in the PRC at a consideration of approximately RMB43,844.0 million (US$6,205.7 million). According to the equity transfer agreement, Dalian Wanda Commercial Properties and Sunac Real Estate have agreed that, among other things, Dalian Wanda Commercial Properties shall be engaged to operate and manage the properties which are developed under and will continue to be held by the 14 cultural and tourism project companies; the projects in commercial operation shall be operated and managed according to Dalian Wanda Commercial Properties' original plan; and for projects that will commence operation in the future, their business plans and operational objectives shall be determined and implemented as may be approved by Sunac Real Estate. In addition, the 14 cultural and tourism project companies shall pay an annual management and consulting fee of RMB50 million (US$7.2 million) to Dalian Wanda Commercial Properties for a term of 20 years starting from the handover date or, in the case of the projects which have not commenced operation, from the commencement of operations. As of the date of this offering memorandum, Sunac Real Estate has made a total payment amount of RMB43,844.0 million (US$6,205.7 million) to Dalian Wanda Commercial Properties and has completed the transfer of the 14 cultural and tourism project companies. See "— Risks Relating to Our Business — We may undertake mergers, acquisitions or investments to expand our business that may pose risks to our business or subject us to unknown or contingent liabilities, and we may not realize the anticipated benefits of these mergers, acquisitions or investments."

***We have started expanding our operations into other industries and such expansion may not be successful***

As part of our business strategies, we plan to expand into industries other than property development. For example, we have entered into a series of agreements to become a beneficiary owner of equity interests in Leshi Internet, Le Vision Pictures and Lerong Zhixin in 2017. On July 19, 2017, Sunac Real Estate entered into an equity transfer agreement with Dalian Wanda Commercial Properties to acquire Dalian Wanda Commercial Properties' 91% equity interest in 14 cultural and tourism project companies in the PRC. See "Business — Business Strategies — Strategically and selectively diversify our businesses with a focus on property development". There is no assurance that we can leverage our experience in the property development industry and replicate our success in other industries. Our expansion in general will require a significant amount of capital investment and involve various risks and uncertainties, including the risk of operating in a new environment or market, navigating different regulatory regimes or obtaining necessary governmental approvals, difficulties in gaining market recognition or competing effectively with established industry participants, difficulties of integrating new businesses and employees into our existing businesses, ability to develop the necessary technology or know-hows for the new businesses, and the diversion of resources and attention of our management. Moreover, our entry into a new industry will expose us to additional risks common in such industry. Any failure to address these risks and uncertainties may adversely affect our business, financial condition and results of operations.

***The national and regional economies may be adversely affected by natural disasters, severe weather conditions, epidemics, pandemics, acts of war and political unrest, which are beyond our control and which may cause damage, loss or disruption to our business***

Natural disasters, severe weather conditions, epidemics, acts of war and political unrest, which are beyond our control, may materially and adversely affect the economy of the PRC and the cities in which

we operate. Some areas in the PRC are under the threat of earthquakes, ice storms, floods, sandstorms, droughts or other natural disasters. For instance, in May 2008, a high-magnitude earthquake occurred in Sichuan Province and certain other areas of China. These disasters may cause significant casualties and loss of properties and any of our operations in the affected areas could be adversely affected. If similar or other inclement weather or climatic conditions or natural disasters occur, our operations may be hampered, which could result in an adverse impact on our business, results of operations and financial condition. In addition, certain areas of China are susceptible to epidemics or pandemics such as Severe Acute Respiratory Syndrome ("SARS"), H5N1 flu, H1N1 flu or, more recently, the novel coronavirus named COVID-19 by the World Health Organization.

The COVID-19 pandemic which began at the end of 2019 has affected millions of individuals and adversely impacted national economies worldwide, including China. The outbreak of COVID-19 has spread far and wide inside China. Several cities in China where we have significant land bank and operations had imposed travel restrictions in an effort to curb the spread of the highly infectious COVID-19. As a result, sales offices and construction of our development projects may be temporarily shut down. Moreover, supply of our raw materials and productivity of our employees may be adversely affected. Our operations may experience disruptions, such as temporary closure of our offices and/or those of our contractors or suppliers and suspension of services. As a result, the completion of our projects may be delayed and sales might be lower than expected, which might in turn result in substantial increase in our development costs, late delivery of properties and/or otherwise adversely affect our profitability and cash flows. Further, customers who have previously entered into contracts to purchase properties may default on their purchase contracts if the economic situation further deteriorates as a result of the epidemic. In addition, the COVID-19 outbreak poses risks to the wellbeing of our employees and the safety of our workplace, which may materially and adversely affect our business operation. Our ability to adequately staff, manage and/or maintain daily operations may be adversely affected if the outbreak continues or further deteriorates. Given the uncertainties as to the development of the outbreak at the moment, it is difficult to predict how long these conditions will exist and the extent to which we may be affected. Furthermore, our properties or facilities may be required to be suspended or quarantined, if there were clusters for the COVID-19 cases in our properties or facilities or governmental ordinance to contain the outbreaks. Any of these circumstances will result in material adverse impact on our business, financial condition, results of operations, performance and prospects. Since April 2020, China and some other countries gradually lifted stay-at-home orders and began to resume work and school at varying levels and scopes. As a consequence, we experienced a recovery in our contracted sales in April 2020. However, there can be no assurance that this recovery momentum will continue in the future.

Past occurrences of epidemics, depending on their scale, have caused different degrees of damage to the national and local economies in China. Another public health crisis in China triggered by a recurrence of SARS or an outbreak of any other epidemics, including, for example, the ongoing COVID-19, especially in the cities where we have operations, may result in material disruptions to our property development and sales and the operation of commercial properties. In addition, the outbreak of communicable diseases, such as the COVID-19 outbreak on a global scale, may affect investment sentiment and result in sporadic volatility in global capital markets or adversely affect China and other economies. Such outbreak has resulted in restrictions on travel and public transportation and prolonged closures of workplaces, which may have a material adverse effect on the global economy. Any material change in the financial markets, the PRC economy or regional economies as a result of these events or developments may materially and adversely affect our business, financial condition and results of operations.

***We face risks relating to the calculation and enforcement of LAT by the PRC tax authorities, which may materially and adversely affect our profitability and cash flow position***

All entities and individuals receiving net profits from the sale or transfer of state-owned land use rights, buildings and their attached facilities are required to pay LAT. LAT is levied at progressive rates from 30% to 60%. Under current regulations, local tax authorities can formulate their own implementation rules relating to LAT settlement. We make provisions for LAT based on our estimates of the full amount of applicable LAT payable in accordance with the requirements set forth in relevant PRC tax laws and regulations, but we only prepay a portion of such provisions each year as required by the local tax

authorities. In 2017, 2018 and 2019 and for the six months ended June 30, 2020, we made LAT payments in the amount of RMB5,441.5 million, RMB4,969.7 million and RMB6,711.2 million (US$949.9 million) and RMB4,000.0 million (US$566.2 million), respectively, and made LAT provisions in the amount of RMB5,104.8 million, RMB9,101.2 million and RMB10,857.5 million (US$1,536.8 million) and RMB3,025.0 million (US$428.2 million), respectively. We currently prepay an amount of LAT equal to 2.0% to 5.0% of the proceeds from pre-sales of our properties in the cities in which we operate. The State Administration of Taxation has issued regulations in the past to set minimum prepayment rates as applicable in different regions in China and may raise the prepayment rates from time to time.

There can be no assurance that our LAT prepayments and provisions will be sufficient to cover our LAT liabilities or that the relevant tax authorities will agree with the basis on which we and our subsidiaries and associates calculated our LAT liabilities. If the LAT provisions we have made are substantially lower than the actual LAT amounts assessed by the PRC government in the future, our business, prospects, financial condition and results of operations would be materially and adversely affected. There are uncertainties as to when the tax authorities will enforce the LAT collection or whether the LAT collection will be applied retrospectively to properties sold before the effective date of the LAT Notice. These factors could materially and adversely affect our business, prospects, financial condition, results of operations and ability to execute our business plans.

***We are subject to legal and business risks if our subsidiaries or associates fail to obtain or renew our qualification certificates***

Property developers in the PRC must obtain a valid qualification certificate in order to engage in property development in the PRC. Newly established developers must first apply for a temporary qualification certificate, which can be renewed for a maximum of two additional one-year periods, by which time a formal qualification certificate must have been issued. Property developers of different grades are subject to different limitations on scale of development in respect of their projects. In reviewing such applications, the relevant authority generally considers the property developer's registered capital, property development investments, history of property development, quality of property construction, expertise of the developer's management, and whether the property developer has any illegal or inappropriate operations. Each of our subsidiaries and associates that engages in property development in the PRC is responsible for submitting its own application. Formal qualification certificates are subject to renewal on an annual basis. Government regulations require developers to fulfill all statutory requirements before obtaining or renewing their qualification certificates.

If any one of our companies is unable to meet the relevant requirements for obtaining or renewing its qualification certificate, that company will be given a cure period within which it must rectify any insufficiency or non-compliance with such requirements, subject to a penalty of between RMB50,000 and RMB100,000. Failure to meet the requirements within the specified timeframe could result in the revocation of any qualification certificate and the business license of such company. We cannot assure you that all of our subsidiaries and associates will be able to pass the annual verification of the qualification certificates or that all of our subsidiaries and associates will be able to obtain formal qualification certificates in a timely manner, or at all, as and when they expire. If any of our subsidiaries and associates is unable to obtain or renew its qualification certificate, such company may not be permitted to continue its operation, which could materially and adversely affect our business, prospects, financial condition and results of operations.

***We may not be able to obtain the land use right certificates for certain land parcels held for future development and may be subject to stricter payment terms for land use rights with respect to land we acquire in the future as a result of any additional restrictive regulations promulgated by the PRC***

As of the date of this offering memorandum, our subsidiaries have become the winning bidder and entered into a confirmation with the relevant land authority for certain land parcels but have not yet obtained the land use right certificates for such land parcels. See "Business — Property Development — Overview of Our Property Development Business." There can be no assurance that we will be able to obtain the land use right certificate with respect to these land parcels in a timely manner, or at all. If we

fail to do so, we may not be able to acquire new replacement land on terms acceptable to us, or at all, which would have a material adverse effect on our business, prospects, financial condition and results of operations. As of the date of this offering memorandum, we have outstanding land premiums with respect to a small number of projects which we had not paid based on the underlying land grant contracts or confirmation letter. We have obtained the relevant local governments' approvals to extend the payment of the outstanding land premiums. We cannot assure you that we will be able to secure similar government approvals if we fail to pay land premiums in the future.

On September 28, 2007, the Ministry of Land and Resources (the "MLR") amended the Regulation on the Grant of State-Owned Land Use Rights by Way of Tender, Auction or Listing-for-Sale (招標拍賣掛牌出讓國有建設用地使用權規定), effective November 1, 2007. This regulation provides, among other things, that property developers must pay the relevant land grant fees in full according to the provisions of the relevant land grant contract for all land parcels under the contract before they can receive the land registration and land use right certificates. As a result, effective November 1, 2007, property developers are not allowed to bid for a large piece of land, make partial payment, and then apply for land registration and a land use right certificate for the corresponding portion of land in order to commence development, which has been the past practice in many Chinese cities. On November 18, 2009, five government authorities, including the Ministry of Finance and the MLR, issued the Notice on Further Strengthening the Income and Expenditure Management Relating to Land Grants (關於進一步加強土地出讓收支管理的通知) to regulate the management of income and expenditure on land grants and curb excessive increases in land prices. In particular, the notice requires property developers to provide a down payment of no less than 50% of the land grant fee and, generally, to pay the remaining balance in installments within one year. On March 8, 2010, the MLR issued the Notice on Further Increasing the Supply and Strengthening the Supervision of Land for Property Development Purposes (國土資源部關於加強房地產用地供應和監管有關問題的通知), which reiterates and reinforces certain measures on land supply and land use, such as requiring the execution of a land grant contract within 10 business days of completing the tender, auction or listing-for-sale process. All property developers who have defaulted on a land grant fee payment, leave land idle and unused, or are engaged in land speculation, or have otherwise defaulted on a land grant contract are prohibited from acquiring land for a certain period of time. As a result, property developers, including us, are required to maintain a higher level of working capital and may be restricted in their ability to expand their land reserve as planned. The Emergency Notice on Further Tightening the Administration on Real Estate Land Use and Reinforcing the Control Results of Real Estate Market (關於進一步嚴格房地產用地管理鞏固房地產市場調控成果的緊急通知) promulgated on July 19, 2012 further emphasized the strict enforcement of current regulations on land grants: (i) the bidding deposit for a land grant shall not be less than 20% of the base land grant price; and (ii) the land grant contract shall be signed within 10 working days after a land grant deal is concluded, a down payment of 50% of the land premium shall be made within one month after signing the contract, and the remaining payment shall be made in a timely manner in accordance with the contract and in any event no more than one year. In addition, we cannot assure you that the PRC government will not adopt any additional regulations to impose stricter payment terms for land acquisition by property developers. If this occurs, our cash flow position, financial condition or business plans could be materially and adversely affected.

***Increasing competition in the PRC, particularly in the regions we operate in, may materially and adversely affect our business, prospects, financial condition and results of operations***

The property market in the PRC is increasingly competitive. We focus on and compete in developing high-end, integrated residential and commercial properties in our target cities in seven regions across China. See "Business — Property Development — Overview of Our Property Development Business." Our existing and potential competitors include major domestic state-owned and private developers in the PRC, as well as developers from Hong Kong and elsewhere in the world. A number of our competitors may have greater marketing, financial and technical resources, greater economies of scale, broader name recognition, and more established track records and relationships in certain markets. In addition, PRC governmental land supply policies and implementation measures may further intensify competition for land in China among property developers. For example, although privately held land use rights are not prohibited from being traded in the secondary market, the statutory means of public tender, auction and listing-for-sale practice in respect of the grant of state-owned land use rights has increased competition

for available land as well as increased land acquisition costs. The intense competition among property developers may result in increased land acquisition costs, increased construction costs and difficulty in obtaining high quality contractors and qualified employees, an oversupply of properties, a decrease in property prices or a slowdown in the rate at which new property developments will be approved or reviewed by the relevant government authorities, any of which may materially and adversely affect our business, prospects, financial condition and results of operations. In addition, the property market in the PRC is rapidly changing. If we cannot respond to changes in market conditions or changes in customer preferences more swiftly or more effectively than our competitors, our business, prospects, financial condition and results of operations could be materially and adversely affected.

***We are exposed to the augmented risks of large-scale property developments***

Our commercial properties are typically large-scale commercial complexes combining retail space, offices, parking facilities and, in some cases, serviced apartments. As of June 30, 2020, we had 45 projects with a planned aggregate GFA of above one million sq.m. and 80 projects with a planned aggregate GFA of between 500,000 sq.m. and one million sq.m. We are exposed to higher risks because of the higher concentration of capital investment in a small number of large-scale property developments. We cannot give any assurance that any of our existing or future large-scale developments will be successful or that any such development will not encounter difficulties that may materially and adversely affect our business, prospects, financial condition and results of operations. Due to the amount of capital required and costs incurred or to be incurred in each development, we are financially exposed and, in the event that any of our existing or future large-scale property developments is unsuccessful, our business, prospects, financial condition and results of operations may be materially and adversely affected.

***Our operating results are significantly affected by peaks and troughs in our property delivery schedule; they may not be indicative of the actual demand for our properties or the pre-sales or sales achieved during that period and may not be reliable for predicting our future performance***

Our results of operations have varied significantly in the past and may fluctuate significantly from period to period in the future. In 2017, 2018, 2019 and for the six months ended June 30, 2019 and 2020, our revenue was RMB65,873.5 million, RMB124,745.6 million, RMB169,316.0 million (US$23,965.1 million), RMB76,837.9 million and RMB77,341.7 million (US$10,947.0 million), respectively, and our profit attributable to owners of the company was RMB11,003.9 million, RMB16,566.5 million, RMB26,027.5 million (US$3,684.0 million), RMB10,286.3 million and RMB10,959.1 million (US$1,551.2 million), respectively. Before our adoption of new HKFRS 15 in 2017, we recognized proceeds from the sale of a property as revenue upon the delivery of the property. After our adoption of HKFRS 15 in 2017, we recognized revenue when our performance obligation is satisfied over time. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies — Revenue recognition" for more details. Therefore, our revenue and profit during any given period reflects the quantity of properties delivered during that period and are significantly affected by any peaks or troughs in our property delivery schedule. Our operating results may not be indicative of the actual demand for our properties or the pre-sales or sales achieved during the relevant period. Our revenue and profit during any given period generally reflect property investment decisions made by purchasers at some time in the past, typically at least in the prior fiscal period. As a result, our operating results for any period are not necessarily indicative of results that may be expected for any future period.

***Our purchase contracts are subject to termination and variation under certain circumstances and are not a guarantee of our current or future contracted sales***

We have included information relating to our contracted sales in this offering memorandum. Contracted sales refer to the purchase price of formal purchase contracts we entered into with purchasers of our properties. We compile contracted sales information through our internal records, and such information has not been audited or reviewed by PricewaterhouseCoopers, Certified Public Accountants. As these sales and purchases contracts are subject to termination or variation under certain circumstances pursuant to their contractual terms, or subject to default by the relevant purchasers, they are not a guarantee of current or future contracted sales. Contracted sales information included in this offering

memorandum should in no event be treated as an indication of our revenue or profitability. Our subsequent revenue recognized from such contracted sales may be materially different from such contracted sales. Accordingly, contracted sales information contained in this offering memorandum should not be unduly relied upon as a measure or indication of our current or future operating performance. In addition, the economic impact of recent world events, such as the COVID-19 pandemic, remains to be seen. Such impact will likely adversely affect property buyers and in turn, our contracted sales and our financial performance. See "— Risks Relating to Our Business — The national and regional economies may be adversely affected by natural disasters, severe weather conditions, epidemics, pandemics, acts of war and political unrest, which are beyond our control and which may cause damage, loss or disruption to our business."

***We may not be able to successfully manage our growth***

We have been continuously expanding our operations in recent years. As we continue to grow, we must continue to improve our managerial, technical and operational knowledge and allocation of resources, and to implement an effective management information system. To effectively manage our expanded operations, we need to continue to recruit and train managerial, accounting, internal audit, engineering, technical, sales and other staff to satisfy our development requirements. In order to fund our ongoing operations and our future growth, we need to have sufficient internal sources of liquidity or access to additional financing from external sources. Furthermore, we will be required to manage relationships with a greater number of customers, suppliers, contractors, service providers, lenders and other third parties. We will need to further strengthen our internal control and compliance functions to ensure that we are able to comply with our legal and contractual obligations and reduce our operational and compliance risks. We cannot assure you that we will not experience issues such as capital constraints, construction delays, operational difficulties at new locations, or difficulties in expanding our existing business and operations and in training an increasing number of personnel to manage and operate the expanded business. Our expansion plans may also adversely affect our existing operations and thereby have a material adverse effect on our business, prospects, financial condition and results of operations.

***The illiquid nature of, and the lack of alternative uses for, investment properties could limit our ability to respond to adverse changes in the performance of our properties***

Investments in properties, in general, are relatively illiquid compared to many other types of investments. Therefore, our ability to sell one or more of our investment properties in response to changing economic, financial and investment conditions promptly, or at all, is limited. Valuations of investment properties as recorded on our consolidated balance sheet are not a prediction of the actual value we may achieve from such properties in a market transaction. Unforeseen changes relating to the properties, the market conditions or otherwise could significantly affect the value of investment properties. We cannot assure you that we will be able to sell any of our investment properties at prices or on terms satisfactory to us, if at all. We cannot predict the length of time needed to find a purchaser and to complete the sale of a property currently held or planned to be held for investment purposes. Moreover, should we decide to sell a property subject to a tenancy agreement, we may have to obtain consent from or pay termination fees to our tenant.

In addition, investment properties may not be readily convertible to alternative uses if they become unprofitable due to competition, age, decreased demand or other factors. The conversion of investment properties to alternative uses generally requires substantial capital expenditures. In particular, we may be required to expend funds to maintain properties, correct defects, or make improvements before a property can be sold and we may not have sufficient funds available for such purposes. These factors and any others that would impede our ability to respond to adverse changes in the performance of our investment properties could adversely affect our ability to retain tenants and to compete against our competitors and therefore may materially and adversely affect our business, prospects, financial condition and results of operations.

***We may not be able to generate adequate returns on our properties held for long-term investment purposes***

Property development is subject to varying degrees of risk. The investment returns available from investments in real estate depend, to a large extent, on the amount of capital appreciation generated, income earned from the rental of the relevant properties as well as the expenses incurred. Maximizing yields from properties held for investment also depends to a large extent on active ongoing management and maintenance of the properties. The ability to eventually dispose of investment properties will also depend on market conditions and levels of liquidity, which may be limited or subject to significant fluctuation in the case of certain types of commercial properties. The revenue derived from and the value of property investment may be adversely affected by a number of factors, including but not limited to changes in market rates for comparable rentals, the inability to collect rent due to bankruptcy or insolvency of tenants and the costs resulting from periodic maintenance, repair and re-letting.

***We guarantee the mortgages provided to our purchasers and consequently are liable to the mortgagee banks if our purchasers default on their mortgage payments***

We assist purchasers of properties in obtaining mortgage loans from various domestic banks. In accordance with market practice, domestic banks require us to provide short-term guarantees for these mortgages. Substantially all of these guarantees are discharged upon the earlier of (i) the issuance to the purchasers of the property ownership certificate, which generally takes place within an average period of two to three years after completion of the guarantee registration, and (ii) the satisfaction of obligations under the mortgage loans by the purchasers. If a purchaser defaults under the mortgage loan and the bank calls on the guarantee, we are required to repay all debt owed by the purchaser to the mortgagee bank under the loan, in which case typically the mortgagee bank will assign to us its rights under the loan and the mortgage and we will have full recourse to the property. If we fail to do so, the mortgagee bank may auction the underlying property and recover any additional amounts outstanding from us as the guarantor of the mortgage. In line with industry practice, we do not conduct independent credit checks on our customers but rely instead on the credit checks conducted by the mortgagee banks, which may not be as extensive as credit checks conducted in other jurisdictions. As of December 31, 2017 and 2018 and 2019 and June 30, 2020, we had outstanding guarantees for mortgage loans of our purchasers in the amount of RMB49,779.6 million, RMB88,598.4 million, RMB120,496.7 million (US$17,055.2 million) and RMB130,060.0 million (US$18,408.8 million), respectively.

There can be no assurance that the default rate will not increase significantly in the future. If a default occurs and our relevant guarantee is called upon, our business, prospects, financial condition and results of operations may be materially and adversely affected to the extent that there is a material depreciation in the value of the relevant properties or if we are unable to sell the properties due to unfavorable market conditions or other reasons.

***Sun Hongbin, our controlling shareholder, is able to exercise substantial influence over our corporate policies and direct the outcome of corporate actions; and we may be adversely affected by legal proceedings involving Mr. Sun***

As of June 30, 2020, approximately 44.92% of our outstanding shares were beneficially owned by Mr. Sun Hongbin, our controlling shareholder, chairman and an executive director. Subject to compliance with applicable laws, by maintaining such ownership, Mr. Sun is able to exercise substantial influence over our corporate policies and direct the outcome of corporate actions requiring shareholders' approval and as permitted by the terms and conditions of the Notes, including the election of directors, the amendment of our Articles of Association, the amount and timing of dividends and other distributions, the acquisition of or merger with another company, the sale of all or substantially all of our assets and other significant corporate actions. In addition, Mr. Sun, in his capacity as the chairman and an executive director of our Company, is able to exercise substantial control over the management of our business. The strategic goals and interests of Mr. Sun may not be aligned with our strategy and interests and could reduce the level of management flexibility that would otherwise exist with a more diversified shareholder base. In situations presenting a conflict of interests, we may be prevented from entering into transactions that could be beneficial to us or holders of the Notes. We cannot assure you that Mr. Sun will act in our interests or that conflicts of interests will be resolved in our favor.

In 1995, Mr. Sun established Tianjin Sunco Investment Company Limited, which was engaged in commodity housing development in China, and subsequently established Sunco China and its subsidiaries (collectively, the "Sunco Group"), holding real estate development projects in various cities across the country. In 2003, Mr. Sun directed the Sunco Group to embark on a rapid expansion strategy in light of developments in the PRC property market and in preparation for the Sunco Group's proposed listing on the Hong Kong Stock Exchange in 2004. As a result, the Sunco Group had rapidly increased its land bank and the pace of construction of its projects, both of which required a large amount of capital. However, due to austerity measures implemented in China in late 2004 leading to a market downturn, among other factors, the Sunco Group's business was adversely affected. Aggravated by an aborted listing plan in late 2004, the Sunco Group's cash flow position deteriorated significantly. This resulted in the Sunco Group's need to raise additional capital to meet its substantial amount of debt obligations and other liabilities in late 2006. Mr. Sun's decision in favor of the Sunco Group's rapid expansion strategy did contribute to the high leverage and tight liquidity of the Sunco Group as a result of the Group's adverse cash flow and debt positions. In August 2004, Mr. Sun relinquished his directorship of Sunco China and acted only as its controlling shareholder. The Sunco Group was restructured in 2006 into Sunco A and Sunco B, both held by Sunco China and another company controlled by Mr. Sun, in connection with the disposal of a substantial part of the Sunco Group's assets during the period from 2006 to 2007, while Mr. Sun resumed his directorship of Sunco China in May 2006. In mid-2007, a 94.74% interest in Sunco A was sold to a subsidiary of Road King Infrastructure Limited ("Road King") and other independent third parties. The entire interest in Sunco B was acquired by an independent third party at around the same time, which gave rise to the litigation involving Mr. Sun as described below.

In or around October 2007, Road King, through its non-wholly owned subsidiary at the time, Sunco A, as first plaintiff ("First Plaintiff"), and another party ("Second Plaintiff") initiated civil proceedings in Hong Kong (High Court Action 2145/2007) (the "RK Litigation") against two companies beneficially owned by Mr. Sun, namely, Sunco China as first defendant ("First Defendant") and Sunco Management Holdings Limited as second defendant ("Second Defendant") and Mr. Sun as third defendant. The RK Litigation related to an option agreement dated January 23, 2007 ("Option Agreement") made among First Plaintiff as investor, First Defendant and Second Defendant as the original shareholders of Sunco B and Mr. Sun as guarantor, pursuant to which First Defendant and Second Defendant granted to First Plaintiff the right (the "Option") to request the transfer of all issued shares of Sunco B to First Plaintiff (or a third party nominated by First Plaintiff) at an agreed exercise price. The amount sought was approximately RMB614 million (or alternatively, damages to be assessed), plus interest and costs. Such claims arose from certain liabilities of Sunco B involving outstanding litigation, unsettled construction costs or claims, unpaid government penalties, and additional tax liability caused by the lack of documents supporting tax deductibles, which the plaintiffs alleged had not been disclosed by First Defendant and Second Defendant. On August 18, 2010, all claims in the RK Litigation were withdrawn and the RK Litigation was dismissed. Mr. Sun and Road King have finally resolved their disputes through mediation. We cannot assure you that no other legal proceedings will be brought in the future against Mr. Sun or its affiliates by any parties in any manner that may adversely affect our Group.

In August 1992, Mr. Sun, as a former employee of Beijing Legend Computer Group Co. ("Legend"), was convicted by the Haidian District Court of Beijing Municipality of misappropriation of funds in the amount of RMB130,000. The conviction was later overturned in 2003. According to the court ruling in August 1992, the conviction was based upon the transfers of corporate funds of Legend to a third party by Mr. Sun without due authorization, which took place during the period from May 1989 to October 1989 when Mr. Sun was a manager of Legend. Mr. Sun was sentenced to a five-year term of imprisonment and began to serve his sentence in August 1992. He was later granted remission of sentence and was released in March 1994. In October 2003, upon Mr. Sun's appeal, the retrial court held that the conviction was erroneous and found that Mr. Sun's action did not constitute misappropriation of funds due to the absence of any intent from Mr. Sun to derive any personal gain from, or to benefit the third party with, the transfers of funds. Further, the third party had not obtained Mr. Sun's permission or authorization before using the funds for his own personal use and benefit. It also found that Mr. Sun's intention for such transfers of funds was to streamline Legend's branch company operations and that Mr. Sun had requested permission from his supervisor at the time before such transfers of funds. Nonetheless, the retrial court affirmed that Mr. Sun's acts were in breach of Legend's internal financial management system. Although Mr. Sun was erroneously convicted 20 years ago and the conviction has been overturned, any negative views or social stigma on Mr. Sun may still persist, which may materially and adversely affect our business, prospects, financial condition and results of operations.

***Our success depends on the continuing efforts of our senior management team and other key personnel, and our business may be harmed if we lose their services***

Our future success depends heavily upon the continuing services of the members of our senior management team. We rely on our senior management team to formulate our business strategies, make decisions on our investment projects and direct the management of our business operations, among other things. Our success has been, to a significant extent, attributable to the continuing efforts and leadership of our senior management team. We may not be able to retain the services of our senior management team or other key personnel, or recruit qualified candidates for new key management positions in the future. If one or more of our key executives are unable or unwilling to continue in their present positions, we may not be able to replace them easily or at all, and our business may be disrupted and our business, prospects, financial condition and results of operations may be materially and adversely affected. In addition, if any of our key executives joins a competitor or forms a competing company, we may lose significant business opportunities, customers and professional staff, which may materially and adversely affect our business, prospects, financial condition and results of operations. Moreover, along with our growth and expansion, we will need to continue to employ, train and retain employees. If we cannot attract and retain suitable human resources, our business, prospects, financial condition and results of operations will be materially and adversely affected.

***Our business, prospects, financial condition and results of operations may be materially and adversely affected by increases in the cost of labor and construction materials***

Construction and development costs account for the majority of our cost of sales and are one of the significant factors affecting our business, prospects, financial condition and results of operations. In general, our labor and construction materials costs are included in the contract fee payable to our contractors, who are generally responsible for procuring the required labor and construction materials. Nonetheless, we agree to bear certain of the increased costs when the prices of the labor and construction materials exceed a certain threshold. Due to the rapid growth in the property development industry in recent years in the PRC, wages for construction workers and the prices of construction materials and building equipment have substantially increased. By entering into construction contracts with such price adjustment terms, we seek to reduce our exposure to fluctuations of wages and construction materials prices. We believe this will help us limit project cost overruns because we are not required to increase the contract fee or re-negotiate other terms in case of significant fluctuations of wages and construction materials prices. However, we cannot assure you that we will continue to be able to enter into contracts with similar pricing terms in the future, which will, in part, be affected by market practices which may be beyond our control. Furthermore, there can be no assurance that our contractors will actually complete their contract performance without any fee adjustment, or at all, or that we can find replacement contractors at the same fee if wages and construction materials prices continue to increase. Should our contractors fail to perform under the fixed price contracts as a result of increases in labor cost or construction materials prices or otherwise, we may incur significant litigation costs and replacement costs, which would materially and adversely affect our business, prospects, financial condition and results of operations. In addition, as it normally takes years to complete a property development project, we often enter into multiple contracts sequentially for different phases or sub-phases of a project, which could have different unit fee because of the fluctuations of wages and construction materials prices.

If we are unable to pass on any increase in the cost of labor and construction materials to either our contractors or our customers, our results of operations may be adversely affected by the cost volatility of labor and construction materials.

***We rely on independent contractors***

We engage independent contractors to provide various services, including construction, piling and foundation, engineering, interior decoration, mechanical and electrical installation and utilities installation. Purchases attributable to our construction contractors account for a significant amount of our costs, and in 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020, approximately 11.9%, 35.6%, 12.3%, 16.4% and 5.7%, respectively, of our total purchases were attributable to our five

largest construction contractors and approximately 3.0%, 17.8%, 6.5%, 9.6% and 18.0%, respectively, of our total purchases were attributable to our largest construction contractor. We generally select contractors through public tenders. We invite selected contractors to tender bids according to their reputation for quality, track record and references, and supervise the construction progress once the contract is awarded. However, we cannot assure you that the services rendered by any of these contractors will always be satisfactory or match our requirements for quality. Moreover, although we have not experienced any material problems of delay or incompletion, we cannot assure you that our properties under development or properties held for future development will be completed on time, or at all. If our contractors cannot deliver satisfactory services due to financial or other difficulties, we might incur additional costs and suffer reputational harm, which may have a material adverse effect on our business, prospects, financial condition and results of operations.

***We may not be able to complete our property development projects on time or at all***

Property development projects require substantial capital expenditure prior to and during the construction period. One, two or several years may elapse before a project generates positive cash flows through pre-sales or sales. The timing and costs involved in completing a development project can be adversely affected by many factors, including:

- delays in obtaining licenses, permits or approvals as required by government authorities;
- changes in government policies or in applicable laws or regulations;
- delays in or increased costs of relocation of existing site occupants or demolition of existing structures;
- shortages of materials, equipment, contractors and skilled labor;
- labor disputes;
- construction accidents;
- disputes with or delays caused by our contractors or sub-contractors;
- delays in the construction of supporting infrastructure or completing land clearing work by the local government authorities;
- adverse weather conditions and natural disasters, including earthquakes, ice storms and other natural hazards;
- changes in market conditions;
- unforeseen engineering, design, environmental, structural or geographic problems;
- discovery of historic and cultural relics in the construction site; and
- widespread diseases or epidemics, including Severe Acute Respiratory Syndrome, H5N1 flu, H1N1 flu, COVID-19 and other diseases.

Construction delays or the failure to complete the construction of a project according to its planned specifications, schedule or budget as a result of the above factors may result in increased costs, harm to our reputation, loss of or delay in recognizing revenues and lower returns. If a pre-sold property development is not completed on time, the purchasers of the pre-sold units may be entitled to compensation for late delivery. If the delay extends beyond a certain period, the purchasers may even be entitled to terminate the pre-sale agreements and claim damages. We cannot assure you that we will not

experience any significant delays in completion or delivery in the future or that we will not be subject to any liabilities for any such delays. There can be no assurance that we will not experience any delays or other issues with respect to any of our projects. Any of these may disrupt our project schedules and result in violation of the applicable land regulations or a breach of the relevant land grant contracts, which could materially and adversely affect our business, prospects, financial condition and results of operations and subject us to various penalties, including forfeiture of land.

Moreover, further regulatory changes, competition, inability to procure governmental approvals or required changes in project development practice could occur at any stage of the planning and development process. We may not be able to complete projects that we are currently developing or plan to develop and we may find ourselves liable to purchasers of the pre-sold units for losses suffered by them.

***Our profitability may be affected by the annual revaluation of our investment properties required by HKFRS***

We hold certain investment properties for lease to commercial tenants. We are required to reassess the fair value of our investment properties upon the completion of any acquisition and on every balance sheet date for which we issue consolidated financial statements. Our valuations are and will be based on market prices or alternative valuation methods, such as discounted cash flow analysis based on estimated future cash flows. In accordance with HKFRS, we must recognize changes to the fair value of our property as a gain or loss (as applicable) in our income statements. The recognition of any such gain or loss reflects unrealized capital gains or losses on our investment properties on the relevant balance sheet dates and does not generate any actual cash inflow or outflow. The amount of revaluation adjustments have been, and may continue to be, significantly affected by the prevailing property market conditions and may be subject to market fluctuations. We cannot assure you that the fair value of our investment properties will not decrease in the future. Any decrease in the fair value of our investment properties will have an adverse effect on our profits.

***We do not have insurance to cover all potential losses and claims***

In general, we do not maintain insurance coverage against potential losses or damage with respect to our property developments, whether they are under development or have been completed prior to delivery. Neither do we maintain insurance coverage against liability from tortious acts or other personal injuries on our project sites. Under PRC law, construction companies bear the primary civil liability for personal injuries arising out of their construction work. The owner of a property under construction may also bear liability supplementary to the liability of the construction company if the latter is not able to fully compensate the injured. In addition, there are certain types of losses that are currently uninsurable in China, such as losses due to earthquake. Therefore, while we believe that our practice is in line with the general practice in the PRC property development industry, there may be instances when we will have to internalize losses, damage and liabilities because of our lack of insurance coverage, which may in turn materially and adversely affect our business, prospects, financial condition and results of operations. If we have to bear any losses, damages and liabilities, whether insurable or not, in the course of our operations, we may not have sufficient funds to cover any such losses, damages or liabilities or to re-develop any property that has been damaged or destroyed. In addition, any payment we make to cover any losses, damages or liabilities could have a material adverse effect on our business, prospects, results of operations and financial condition.

***The construction business and the property development business are subject to claims under statutory quality warranties***

Under Regulations on the Administration of Quality of Construction Works (建設工程質量管理條例), all property development companies in the PRC must provide certain quality warranties for the properties they develop or sell. We are required to provide these warranties to our customers. We may sometimes receive quality warranties from our third-party contractors with respect to our development projects. If a significant number of claims are brought against us under our warranties and if we are unable to obtain reimbursement for such claims from third-party contractors in a timely manner or at all, we could

incur significant expenses to resolve such claims or face delays in correcting the related defects, which could in turn harm our reputation and have a material and adverse effect on our business, prospects, financial condition and results of operations.

***We may be liable to our customers for damages if we fail to assist our customers in obtaining individual property ownership certificates in a timely manner***

We are typically required to obtain a general property ownership certificate for each of our completed projects. In addition, we generally have to assist our customers in obtaining their individual property ownership certificates within a specified time frame after the delivery of the property as set forth in the relevant sale and purchase agreements. In general, we elect to specify the deadline for the delivery of the individual property ownership certificates in the sale and purchase agreements to allow sufficient time for the application and approval processes. We are typically required to submit the proofs of certain government approvals, permits and certifications in connection with our property developments, including those evidencing our land use rights and various planning and construction permits, to the local bureau of land and resources and housing administration within 30 days after the receipt of the certificate of completion in respect of the relevant properties and apply for the general property ownership certificate in respect of such properties. We are then required to submit, within certain periods after delivery of the properties, the sale and purchase agreements relating to such properties, the identification documents of the purchasers and the proof of payment of deed tax, together with the general property ownership certificate, for the relevant local authority's review and for the issuance of individual property ownership certificates in respect of the properties delivered to our customers. Delays by the various administrative authorities in reviewing and approving the applications involved, among other factors, may affect the timely delivery of the general or individual property ownership certificates. We may be liable to our customers for late delivery of the individual property ownership certificates if we cannot prove that the delays are due to delays in the administrative approval processes or any other reasons beyond our control. We cannot assure you that we will be able to timely deliver all property ownership certificates in the future.

***We are exposed to risks relating to the pre-sale of properties, and changes in laws and regulations with respect to the pre-sale of properties may materially and adversely affect our business, prospects, financial condition and results of operations***

We depend on proceeds from the pre-sale of properties as an important source of funding for our property projects. Under current PRC laws and regulations, property developers must fulfill certain conditions before they can commence the pre-sale of the relevant properties and may use pre-sale proceeds only to finance the development of such properties. Changes in such laws and regulations which restrict or ban the pre-sale of properties, such as imposing additional conditions for obtaining a pre-sale permit or further restrictions on the use of pre-sale proceeds, may materially and adversely affect our cash flows and require us to obtain alternative sources of funding for our business. Failure to obtain alternative funding at a low cost, or at all, may materially and adversely affect our business, prospects, financial condition and results of operations. In addition, under current PRC laws and regulations and pursuant to pre-sale contracts entered into with purchasers of our properties, we are liable for potential breaches of the terms of the pre-sale contracts. For example, if we fail to complete a property that we have pre-sold by the agreed delivery time, we will typically be liable to the purchasers for their losses and such purchasers may seek compensation for late delivery pursuant to the pre-sale contracts or PRC laws and regulations. If our delay extends beyond a specified period, the purchasers may terminate the pre-sale contracts and claim for damages. Unless otherwise provided for in the pre-sale contract, a purchaser may also terminate a pre-sale contract with us if the GFA of the relevant unit, as set out in the individual property ownership certificate, deviates by more than 3% from the GFA of that unit set out in the pre-sale contract. We cannot assure you of the timely completion or delivery of our projects. If a substantial number of purchasers claim against us for breach of contract or terminate their pre-sale contracts with us, our business, prospects, financial condition and results of operations may be materially and adversely affected.

***We may be involved in legal and other proceedings arising out of our operations or otherwise from time to time and may face significant liabilities as a result***

We may be involved in disputes with various parties involved in the development and the sale of our properties and other businesses and operations, such as contractors, suppliers, construction workers, purchasers and tenants. These disputes may lead to legal or other proceedings and may result in substantial costs and diversion of resources and management's attention, regardless of the outcome. For example, as most of our projects comprise multiple phases, purchasers of our properties in earlier phases may file legal actions against us if our subsequent planning and development of the projects are perceived to be inconsistent with our representations and warranties made to such earlier purchasers. In addition, we may have disagreements with regulatory bodies in connection with our operations and business, which may subject us to regulatory investigations, administrative proceedings and unfavorable decrees that result in pecuniary liabilities and other penalties, cause delays to our property developments or otherwise have an adverse effect on our reputation, business, results of operations, financial condition and prospects.

From time to time, we are involved in legal proceedings or disputes in the ordinary course of our business. We cannot assure you that no other claims or disputes beyond our normal course of business or otherwise will be brought against us in the future. As a result of any such claims or disputes, our management's attention to our business and our reputation may be adversely affected and we may incur substantial liabilities and costs, which may materially and adversely affect our business, prospects, financial condition and results of operations.

***Failure to comply with laws, regulations and rules applicable to us as a listed company in Hong Kong could lead to regulatory investigations and result in disciplinary actions and penalty against us or our directors and senior management***

As a listed company in Hong Kong, we and our directors and senior management are subject to various continuing obligations under applicable laws, rules and regulations (including the Listing Rules of the Hong Kong Stock Exchange and the Securities and Futures Ordinance), such as obligations relating to, among others, disclosure of price-sensitive information, connected transactions and notifiable transactions. Failure to comply with any of these applicable laws, rules and regulations (including the Listing Rules of the Hong Kong Stock Exchange and the Securities and Futures Ordinance) may subject us and/or our directors and senior management to regulatory investigations or proceedings and, if such investigations lead to rulings or findings made against us and/or our directors and senior management, may lead to imposition of sanctions and/or disciplinary actions by the regulators against them. Although certain instance of our non-compliance with the Listing Rules in connection with the release of certain price sensitive information has been resolved with no disciplinary action imposed, we cannot assure you that investigations, sanctions and/or disciplinary actions resulting from other possible non-compliance(s) of the applicable laws, rules and regulations by us and/or our directors and senior management may not negatively affect our business and reputation, as well as investor confidence and the market price of the Notes.

As a listed company in Hong Kong, we and our directors are also subject to the regulatory oversight of the SFC and are required to comply with applicable legal provisions and codes other than the Listing Rules of the Hong Kong Stock Exchange. In case of any violation of the Securities and Futures Ordinance or other regulatory requirements, the SFC and courts in Hong Kong have broad powers to make a wide range of orders or directions. These include orders requiring us or our directors to carry out, or refrain from, certain acts, as well as directions that may affect the continual trading in, or the listing status of, our shares. Any adverse action may have a material adverse impact on our business and your investment.

***Any failure to protect our brand, trademarks and other intellectual property rights could have a negative impact on our business***

We believe our brand, trademarks and other intellectual property rights are integral to our success. Our brand has gained significant recognition in the PRC and we have received several industry awards. We believe the success of our business depends in part on our continued ability to use and promote our

brand and trademarks. As of the date of this offering memorandum, our Company and our subsidiaries have registered 2,237 trademarks. While we have applied for registration of additional trademarks in the PRC and Hong Kong, some of these applications have been challenged and we cannot assure you that all of our applications for trademark registration will be approved by the relevant authorities. While we rely on the intellectual property laws in the PRC to protect our intellectual property, any unauthorized use of such intellectual property could adversely affect our business and reputation. Historically, China has not protected intellectual property rights to the same extent as certain other developed countries do, and infringement of intellectual property rights continues to pose a serious risk to doing business in China. Moreover, monitoring and preventing the unauthorized use of our intellectual property is difficult. The measures we take to protect our brand, trademarks and other intellectual property rights may not be adequate to prevent their unauthorized use by third parties. Any litigation or dispute in relation to our trade names or trademarks could result in substantial costs and the diversion of resources. Furthermore, the application of laws governing intellectual property rights in China is uncertain and evolving and if we are unable to adequately protect our brand, trademarks and other intellectual property, we may lose these rights and our business, prospects, financial condition and results of operations may suffer materially.

***Potential liability for environmental problems could result in substantial costs***

We are subject to a variety of laws and regulations concerning the protection of the environment and public health. The particular environmental laws and regulations which apply to any given project development site vary greatly according to the site's location, the site's environmental condition and the present and former uses of the site and adjoining properties. Environmental laws and conditions may result in delays, may cause us to incur substantial compliance and other costs and can prohibit or severely restrict project development activity in environmentally-sensitive regions or areas. In addition, under PRC law, each of our projects is required to undergo environmental assessments, and an environmental impact assessment document is required to be submitted to the relevant government authorities for approval before the commencement of construction. Failure to obtain such approval prior to construction may result in suspension of construction and a penalty amounting to RMB50,000 to RMB200,000 for each project. We cannot assure you that we will satisfy the environmental assessments for each, or any, of our projects in the future. Although the environmental investigations conducted to date have not revealed any environmental liability that we believe would have a material adverse effect on our business, financial condition or results of operations, it is possible that these investigations did not reveal all environmental liabilities, or that there are material environmental liabilities of which we are unaware. See "Business — Environmental Matters."

**Risks Relating to Our Group Structure**

***Disputes with other shareholders in our non-wholly owned subsidiaries, associates, joint ventures or joint venture partners may materially and adversely affect our business, prospects, financial condition and results of operations***

We engage in certain property development projects jointly with other companies through certain non-wholly owned subsidiaries or associates. We may continue to develop some or all of our future projects through such arrangements. Such arrangements may involve a number of risks. For example, other shareholders in our non-wholly owned subsidiaries or associates may:

- have economic or business interests or goals that are inconsistent with ours;
- take actions contrary to our instructions or requests or contrary to our policies or objectives;
- be unable or unwilling to fulfill their obligations under the relevant joint venture agreements, shareholder agreements or other related agreements, including their obligation to make the required capital contributions; or
- have financial difficulties.

A serious dispute with other shareholders, or the early termination of our jointly developed projects or early dissolution of our jointly owned companies, could materially and adversely affect our business, prospects, financial condition and results of operations. If a situation arises in which we cannot complete a project jointly developed with other companies due to one of the above reasons or otherwise, the rights and obligations of each party with respect to the uncompleted project will be determined by the relevant joint venture agreements, shareholder agreements or other related agreements. If such agreements are silent or inconclusive with regard to such rights and obligations, we may need to engage in litigation or alternative dispute resolution such as arbitration, which may have an adverse effect on our business, results of operations and financial condition. In the event that we encounter any of the foregoing problems, our business operations, profitability and prospects may be materially and adversely affected.

***We are financially dependent on the distribution of dividends from our subsidiaries and associates, and we cannot assure you that dividends of any amount will be declared or distributed in any year***

Our Company is a holding company incorporated in the Cayman Islands and our core business operations are conducted through certain operating subsidiaries and associates in the PRC. These operating companies are either wholly foreign-owned entities indirectly held by us or companies directly or indirectly held by our wholly foreign-owned entities. PRC laws also require all of our subsidiaries and associates in the PRC to set aside part of their net profit as statutory reserves. These statutory reserves are not available for distributions as cash dividends. Furthermore, restrictive covenants in bank credit facilities, joint venture agreements or other agreements that we may enter into in the future may also restrict the ability of our wholly or partially owned companies to pay dividend or make other distributions to us. These restrictions could reduce the amounts of distributions that our Company receives from our operating subsidiaries or associates, which would restrict our ability to fund our operations, generate income and pay interest.

***We may be deemed a PRC resident enterprise under the PRC Corporate Income Tax Law, which may subject us to PRC taxation on our worldwide income, require us to withhold taxes on interest we pay on the Notes and require holders of the Notes to pay taxes on gains realized from the sale of the Notes***

We are a Cayman Islands holding company with substantially all of our operations conducted through our operating subsidiaries and associates in China. Under the PRC Corporate Income Tax Law (中華人民共和國企業所得稅法), enterprises organized under the laws of a jurisdiction outside China with their "de facto management bodies" located in China will be considered PRC resident enterprises and be subject to PRC corporate income tax at a rate of 25% on their worldwide income. Under the implementation rules of the PRC Corporate Income Tax Law, "de facto management bodies" are defined as bodies that have material and overall management and control over the production, business, personnel, accounting and properties of the enterprise. In April 2009, the State Administration of Taxation specified certain criteria for the determination of the "de facto management bodies" for foreign enterprises that are controlled by PRC enterprises. However, no definition of "de facto management body" has been provided for enterprises established offshore by individuals or foreign enterprises such as our Company. It is unclear under the PRC tax law how an entity will be deemed as a PRC "de facto management body" located in China for PRC tax purposes. As a majority of the members of our management team are based in China, we may be treated as a PRC resident enterprise for corporate income tax purposes and be subject to corporate income tax at the rate of 25% on our worldwide income (possibly excluding dividends received from our PRC subsidiaries). The tax consequences of such treatment are currently unclear, as they will depend on how local tax authorities apply or enforce the PRC Corporate Income Tax Law and its implementation rules. In addition, if we are treated as a PRC resident enterprise, we generally would be obligated to withhold PRC income tax at a rate of 10% on payments of interest and possibly any premium on the Notes to investors that are non-resident enterprises, or at a rate of 20% on payments to investors that are non-resident individuals, if such income were regarded as being derived from sources within the PRC, in each case, subject to the provisions of any applicable tax treaty. If we fail to make proper withholdings, we may be subject to fines and other penalties. If we are treated as a PRC resident enterprise, any gain realized by a non-resident investor from the transfer of the Notes may be regarded as being derived from sources within the PRC and accordingly may be subject to a 10% PRC tax for non-resident enterprise investors or a 20% PRC tax for non-resident individuals, subject to the provisions of any applicable tax treaty. We currently take the position that we are not a PRC resident enterprise, but there can be no assurance that the relevant PRC tax authorities will accept our position.

If we were a PRC resident enterprise and were required under the PRC Corporate Income Tax Law to withhold PRC income tax on interest payable to non-resident holders of the Notes, we would be required, subject to certain exceptions, to pay such additional amounts as would result in receipt by a holder of the Notes of such amounts as would have been received by the holder had no such withholding been required. The requirement to pay additional amounts will increase the cost of servicing interest payments on the Notes, and could have a material adverse effect on our profitability and cash flow. In addition, if a holder of the Notes is required to pay PRC income tax on the transfer of our Notes, the value of such holder's investment in our Notes may be materially and adversely affected.

***We may be able to redeem, and may redeem, the Notes in whole at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest in the event we are required to pay additional amounts because we are treated as a PRC "resident enterprise"***

In the event we are treated as a PRC "resident enterprise" under the PRC Corporate Income Tax Law, we may be required to withhold PRC tax on interest payable to certain of our non-resident investors. In such case, we will, subject to certain exceptions, be required to pay such additional amounts as will result in receipt by a holder of a Note of such amounts as would have been received by the holder had no such withholding been required. As described under "Description of the Notes — Redemption for Taxation Reasons" in the event we are required to pay additional amounts as a result of certain changes in or interpretations of tax law, including any change or interpretation that results in our being required to withhold tax on interest payments as a result of our being treated as a PRC "resident enterprise," we may redeem the Notes in whole at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest.

***Under PRC regulations, we will not be able to transfer to our PRC subsidiaries proceeds from this offering in the form of a loan, which could impair our ability to make timely payments of interest, or even principal, under the Notes***

According to current PRC laws and regulations, loans from foreign companies to their subsidiaries in China, such as our PRC subsidiaries established as foreign-invested enterprises in China, are considered foreign debt and must be registered with the relevant local branches of the State Administration of Foreign Exchange ("SAFE"). As permitted by the PRC laws, we have the choice to invest the proceeds of the current offering in the form of equity investment into our PRC subsidiaries to finance their operations in China. Our choice of investment is also affected by the relevant PRC regulations with respect to capital-account and current-account foreign exchange transactions in China. Without having the flexibility to transfer funds to and from our PRC subsidiaries in the form of loans and interest or loan repayments, respectively, we cannot assure you that sufficient dividend payments from our PRC subsidiaries will be available on each interest payment date to pay the interest due and payable under the Notes, or on the maturity date to pay the principal of the outstanding Notes.

**Risks Relating to Property Development in the PRC**

***The PRC government has adopted measures to slow down the property development sector's rate of growth and may continue to do so in the future***

As a property developer, we are subject to extensive government regulation in virtually every aspect of our operations and are highly susceptible to changes in the regulatory measures and policy initiatives implemented by the PRC government. In the past, property developers have invested heavily in the PRC at various times, raising concerns that certain sectors of the property market became overheated. In response, the PRC government introduced an array of policies and measures intended to curtail the overheating of property development and discourage speculation in the residential property market. These measures include the credit tightening measures discussed in "— Risks Relating to Our Business — We maintain a high level of indebtedness to finance our capital intensive business, and we may not have adequate cash flow to fund our operations or to service our financing obligations." For more information on the regulatory measures relating to the property sector, see "Regulation."

We cannot assure you that the PRC government will not adopt more stringent industry policies, regulations and measures in the future. Restrictive government policies and measures could materially and adversely affect our business, prospects, financial condition and results of operations, such as by limiting our access to capital, reducing consumer demand for our properties and increasing our operating costs. They may also lead to changes in market conditions, including price instability and imbalance of supply and demand in respect of office, residential, retail, entertainment and cultural properties, which may materially and adversely affect our business, prospects, financial condition and results of operations.

***Our business is subject to extensive governmental regulation***

Our business is subject to extensive governmental regulation. As with other PRC property developers, we must comply with various requirements mandated by the PRC laws and regulations, including the policies and procedures established by local authorities designed to implement such laws and regulations. Our subsidiaries and associates have been involved in various incidents of non-compliance in the past. See also "— Risks Relating to Our Business — We are subject to legal and business risks if our subsidiaries or associates fail to obtain or renew our qualification certificates" and "— Risks Relating to Our Business — We may not be able to complete our property development projects on time or at all." We cannot assure you that we will not experience similar and other incidents of non-compliance in the future, which could subject us to various administrative penalties or otherwise result in material adverse effects on our business, results of operations and financial condition.

In particular, the PRC government exerts considerable direct and indirect influence on the development of the PRC property sector by imposing industry policies and other economic measures, such as control over the supply of land for property development and restriction or other regulation of foreign exchange, property financing, taxation and foreign investment. Through these policies and measures, the PRC government may restrict or reduce land available for property development, raise benchmark interest rates of commercial banks, place additional limitations on the ability of commercial banks to make loans to property developers and property purchasers, impose additional taxes, such as property tax, and levies on property sales, and restrict foreign investment in the PRC property sector. For example, on December 31, 2020, PBOC and CBRC jointly promulgated the Notice on Establishing a Centralization Management System for Real Estate Loans of Banking Financial Institutions (《關於建立銀行業金融機構房地產貸款集中度管理制度的通知》), which requires a PRC financial institution (excluding its overseas branches) to limit the amount of real estate loans and personal housing mortgage loans it lends to a proportion calculated based on the total amount of RMB loans extended by such financial institution. A relevant financial institution will have a transition period of two years or four years to comply with the requirements depending on whether such financial institution exceeded 2% of the legal proportion based on the statistical data relating to such financial institution as of December 31, 2020. Under the notice, PBOC and CBRC will have the authority to take measures such as, among other things, imposing additional capital requirements on and reallocating the weight adjustments relating to the risk of real estate assets for financial institutions that fail to rectify the proportion requirements within a certain period. Many of the property industry policies carried out by the PRC government are unprecedented and are expected to be refined and improved over time. Changes in political, economic and social factors may also lead to further adjustments of such policies. This refining and adjustment process may not necessarily have a positive effect on our operations or our future business development. We cannot assure you that the PRC government will not adopt additional and more stringent industry policies, regulations and measures in the future. In particular, the PRC government may introduce other initiatives or implement more stringent measures in the future, such as setting caps on certain debt ratios, with a view to controlling the increase of the debt levels in the real estate sector. There were reports that the PRC government may start to restrict financing available to property developers by reference to leverage ratios such as liabilities to assets ratio, net gearing ratio and cash to short-term borrowings ratio. Such potential initiatives or measures, once in place, may further limit property developers (including us)' access to capital and slow down the overall growth of the real estate sector and expansion of property developers, including us. If we fail to adapt our operations to new policies, regulations and measures that may come into effect from time to time with respect to the property industry, or such policy changes disrupt our business or cause us to incur additional costs, our business, prospects, financial condition and results of operations may be materially and adversely affected.

***Our investments in the PRC are subject to the PRC government's control over foreign investment in the property sector***

The PRC government imposes restrictions on foreign investment in the property sector to curtail the overheating of the property sector by, among other things, increasing the capital and other requirements for establishing foreign-invested real estate enterprises, tightening foreign exchange control and imposing restrictions on purchases of properties in China by foreign persons. For example, in May 2007, MOFCOM and SAFE jointly issued the Notice on Further Strengthening and Regulating the Approval and Supervision of Foreign Direct Investment in the Property Sector (關於進一步加強、規範外商直接投資房地產業審批和監管的通知), which among other things, provides that:

- foreign investment in the property sector in the PRC relating to luxury properties should be strictly controlled;

- prior to obtaining approval for the establishment of foreign-invested real estate enterprises, either (i) both the land use rights certificates and housing title certificates should be obtained, or (ii) contracts for obtaining land use rights or housing titles should be entered into;

- foreign-invested real estate enterprises approved by local authorities shall immediately register with MOFCOM through a filing made by the local authorities; and

- foreign exchange administration authorities and banks authorized to conduct foreign exchange business should not affect foreign exchange settlements of capital account items for those foreign-invested real estate enterprises which have not completed their filings with MOFCOM.

These restrictions imposed by the PRC government on foreign investment in the property sector may affect our ability to make further investments in our PRC subsidiaries and as a result may limit our business growth and have a material adverse effect on our business, prospects, financial condition and results of operations.

***Mortgage financing may become more costly or otherwise less attractive or available***

A vast majority of our property purchasers rely on mortgages to fund their purchases. An increase in interest rates may significantly increase the cost of mortgage financing and affect the affordability of properties. The PBOC recently raised the one-year benchmark lending rate from 5.31% to 5.56% in October 2010, and further to 5.81% in December 2010, 6.06% in February 2011, 6.31% in April 2011 and 6.56% in July 2011. In view of the risk of a downward trend in the economy, the PBOC then lowered such rate to 6.31% on June 8, 2012, to 6.00% on July 6, 2012, to 5.6% on November 21, 2014 and to 4.35% as of June 30, 2020. However, the PBOC may raise lending rates again in the future, which will increase the cost of mortgage financing for our potential customers, and as a result, we may experience less demand for our properties. In addition, the PRC government and commercial banks may further increase the down payment requirements, impose other conditions or otherwise change the regulatory framework or lending policies in a manner that would make mortgage financing unavailable or unattractive to potential property purchasers. Since September 2007, for second-time home buyers that use mortgage financing, the PRC government has increased the minimum down payment to 40% of the purchase price, and further increased the minimum down payment to 50% in April 2010 and 60% in January 2011, with minimum mortgage loan interest rates at 110% of the relevant PBOC benchmark lending interest rate. The minimum down payment for commercial property buyers has increased to 50% of the purchase price, with minimum mortgage loan interest rates at 110% of the relevant PBOC benchmark lending interest rate and maximum maturities of no more than 10 years. In May 2010, the Ministry of Housing and Urban-Rural Development ("MOHURD," previously the Ministry of Construction), PBOC and the China Banking Regulatory Commission (the "CBRC") jointly issued a circular to clarify that the number of residential properties owned by an individual property purchaser who is applying for mortgage loans shall be determined by taking into account all residential properties owned by the family members of such purchaser (including the purchaser and such purchaser's spouse and children under the age of 18), and that property purchasers

of second or subsequent residential properties shall be subject to different credit terms when applying for mortgage loans. According to a notice jointly issued by PBOC and CBRC on September 29, 2010, the minimum down payment has been raised to 30% for all first home purchases, and commercial banks are required to suspend mortgage loans for purchases of a customer's third or subsequent residential properties. See "Regulation — Transfer and Sale of Property — Financing property development and acquisition." In addition, mortgagee banks may not lend to any individual borrower if the monthly repayment of the anticipated mortgage loan would exceed 50% of the individual borrower's monthly income or if the total debt service of the individual borrower would exceed 55% of such individual's monthly income. In October 2011, a number of PRC domestic banks raised the mortgage rates for first-time home buyers by a minimum of 5%. If the availability or attractiveness of mortgage financing is reduced or limited, many of our prospective customers may not be able to purchase our properties and, as a result, our business, prospects, financial condition and results of operations could be materially and adversely affected.

In line with industry practice, we provide guarantees to banks for mortgage loans they offer to purchasers of our properties. If there are changes in laws, regulations, policies or practices that would prohibit property developers from providing such guarantees and these banks do not accept alternative guarantees from third parties, if available, it may become more difficult for property purchasers to obtain mortgages from banks in connection with pre-sales. Such difficulties may inhibit pre-sales, which could materially and adversely affect our business, prospects, financial condition and results of operations.

***Property development in the PRC is still at an early stage and lacks adequate infrastructural support***

Private ownership of real estate properties in the PRC is still in a relatively early stage of development. Although the property market in the PRC had generally grown rapidly in the years prior to 2008 primarily due to the significant underlying demand for private residential and commercial properties, such growth is often coupled with volatility in market conditions and fluctuation in property prices. Despite the recent improvement in the market conditions of the property sector in the PRC in 2009 and 2010, it is not possible to predict whether property demand in the PRC will grow in the future, as many social, political, economic, legal and other factors may affect the development of the market. The level of uncertainty is increased by the relatively limited availability of accurate financial and market information as well as the relatively low level of transparency in the PRC.

The lack of an effective liquid secondary market for residential properties may discourage investors from acquiring new properties because resale is not only difficult, but could also be a long and costly process. The limited amount of mortgage financing available to PRC individuals, compounded by the lack of security of legal title and enforceability of property rights, may further inhibit demand for private properties. In the event of over-supply, prices may fall, which may adversely affect our revenues and profitability.

***Extensive government approvals are required over the course of the development of properties in the PRC, and the relevant government authorities may refuse to grant us the requisite approvals on a timely basis, or at all***

The property development industry in the PRC is heavily regulated by the PRC government. PRC property developers must comply with various requirements mandated by national and local laws and regulations, including the policies and procedures established by local authorities designed for the implementation of such laws and regulations. In order to develop and complete a property development, a property developer must obtain various permits, licenses, certificates and other approvals from the relevant administrative authorities at various stages of the property development, including land use right certificates, construction land planning permits, construction works planning permits, construction permits, pre-sale permits and certificates of completion. Each approval is dependent on the satisfaction of certain conditions. We cannot assure you that we will not encounter material delays or other impediments in fulfilling the conditions precedent to the approvals, or that we will be able to adapt ourselves to new laws, regulations or policies that may come into effect from time to time with respect to the real estate industry in general or the particular processes with respect to the granting of the approvals, or that our

projects under development have obtained all necessary approvals. There may also be delays on the part of the administrative bodies in reviewing our applications and granting approvals. If we fail to obtain, or encounter material delays in obtaining, the requisite governmental approvals, the schedule of development and sale of our developments could be substantially disrupted which would materially and adversely affect our business, prospects, financial condition and results of operations.

***The PRC government may impose a penalty on us or require the forfeiture of land for any of our projects which were not or have not been developed in compliance with the terms of the land grant contracts***

Under PRC laws and regulations, if a property developer fails to develop land according to the terms of the land grant contract (including those relating to the payment of fees, designated use of land, amount of GFA developed, time for commencement and completion or suspension of the development, and amount of capital invested), the relevant government authorities may issue a warning to or impose a penalty on the developer or require the developer to forfeit the land. In 2008, the State Council issued a notice which requires, among others, that land use rights be strictly revoked for land parcels left idle for two years or more and that an idle land fee be imposed at 20% of the land transfer or grant price for land parcels left idle for one to two years. Moreover, even if the commencement of the property development satisfies the stated requirements of the land use rights grant contract, if the developed GFA is less than one-third of the total planned GFA of the project or the total capital invested is less than one-fourth of the total planned investment in the project, and development of the land is suspended continuously for more than one year without government approval, the land will still be treated as idle land. All property developers who have defaulted on a land grant fee payment, leave land idle and unused, or are engaged in land speculation, or have otherwise defaulted on a land grant contract are prohibited from acquiring land for a certain period. We cannot assure you that any circumstances leading to the forfeiture of land or imposition of a penalty may not arise in the future. If we and our subsidiaries and associates are required to forfeit land, we will not be able to continue our property development on the forfeited land, recover the costs incurred for the initial acquisition of the forfeited land or recover the development costs and other costs incurred up to the date of forfeiture. Any requirement that we pay idle land fees or other related penalties may materially and adversely affect our business, prospects, financial condition and results of operations.

***The total GFA of some of our property developments may have exceeded the original authorized area; any excess GFA is subject to governmental approval and payment of additional land grant fee or fines and may not be permitted for sales and delivery***

When the PRC government grants land use rights for a piece of land, it will typically specify in the land grant contract the permitted use of the land and the total GFA that the developer may use to develop on the land. The actual GFA constructed, however, may exceed the total GFA authorized in the land grant contract due to factors such as subsequent planning and design adjustments. The amount of GFA in excess of the authorized amount is subject to approval when the relevant authorities inspect the properties after their completion and the developer may be required to pay a fine for the excess GFA. If we fail to obtain the required certificate of completion due to any such excess, we will not be allowed to deliver the relevant properties without paying additional land grant fees and may also be subject to liabilities under the sale and purchase agreements. We cannot assure you that the total constructed GFA of our existing projects under development or any future property developments will not exceed the relevant authorized GFA upon completion or that we will be able to pay any additional land grant fees or any required fine and obtain the certificate of completion on a timely basis. Under relevant PRC laws and regulations, we may be required to pay additional amounts and/or take corrective actions with respect to any such non-compliant GFA before a Completed Construction Works Certified Report can be issued in respect of the property development, which may materially and adversely affect our business, prospects, financial condition and results of operations.

***The amount of resettlement compensation payable to existing owners or residents is regulated and may be subject to substantial increases***

If any of the land parcels we acquire in the future have existing buildings or structures or are occupied by third parties, we may be responsible for paying resettlement costs prior to developing the land. In accordance with the Regulation on the Expropriation of Buildings on State-owned Land and

Compensation (國有土地上房屋徵收與補償條例), which was promulgated by the State Council on January 21, 2011 and became effective on the same day, municipal and county governments are responsible for, and have the right to set up housing expropriation departments to organize and carry out, the expropriation of and compensation for housing in their administrative regions. The amount of compensation for the housing being expropriated shall not be less than the fair market price of housing similar to the housing being expropriated on the announcement date of the housing expropriation decision. The housing being expropriated shall be appraised by a real estate appraisal institution with relevant qualification according to applicable housing expropriation appraisal measures. In addition, a party that objects to the appraisal value of the housing being expropriated may request the real estate appraisal institution to review the appraisal result. A party that objects to the review result, may apply to the real estate appraisal expert committee for authentication of the appraisal value. The appraisal and related review and authentication procedures may delay the timetable of our projects or result in higher compensation costs than originally anticipated. Such delays will lead to an increase in the cost and a delay in the expected cash inflow resulting from pre-sales of the relevant projects, which may in turn materially and adversely affect our business, prospects, financial condition and results of operations.

***There is a lack of reliable and updated information on property market conditions in the PRC***

We are subject to property market conditions in the PRC generally and, in particular, in the regions we operate in. Currently, reliable and up-to-date information on the amount and nature of property development and investment activities, the demand for such development, the supply of new properties being developed or the availability of land and buildings suitable for development and investment is not generally available in the PRC. Consequently, our investment and business decisions may not always have been, and may not in the future be, based on accurate, complete and timely information. Inaccurate information may adversely affect our business decisions, which could materially and adversely affect our business, prospects, financial condition and results of operations.

**Risks Relating to the PRC**

***The political, economic and social situation in the PRC may have a material adverse effect on our business, prospects, financial condition and results of operations***

Substantially all of our business and operations are conducted in China. Accordingly, our business, prospects, financial condition and results of operations are, to a significant degree, subject to political, economic and social developments in China. The PRC economy differs from the economies of most developed countries in many respects, including differences in relation to structure, government involvement, level of development, economic growth rate, control of foreign exchange, allocation of resources and balance of payment position. Although the PRC government has implemented measures since the late 1970s emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of improved corporate governance in business enterprises, a substantial portion of productive assets in China is still owned by the PRC government. In addition, the PRC government continues to play a significant role in regulating industry development by imposing industrial policies. The PRC government also exercises significant control over China's economic growth through allocation of resources, controlling payment of foreign currency denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. Certain measures taken by the PRC government to guide the allocation of resources may benefit the overall economy of China but may, however, also have a negative effect on us. For example, our business, prospects, financial condition and results of operations may be materially and adversely affected by government control over capital investments, changes in tax regulations that are applicable to us, change in interest rates and statutory reserve rates for banks or government control in bank lending activities. Although we believe the economic reform measures implemented by the PRC government will have a positive effect on the PRC's overall long-term development, we cannot predict whether changes in the economic, political and social conditions of the PRC will materially and adversely affect our business, prospects, financial condition and results of operations. Moreover, even if new policies may benefit property developers in the long term, we cannot assure you that we will be able to successfully adjust to such policies.

In addition, demand for our properties may be affected by a variety of factors, some of which may be beyond our control, including:

- political instability or changes in social conditions of the PRC;
- changes in laws and regulations or the interpretation of laws and regulations;
- measures which may be introduced to control inflation or deflation;
- changes in the rate or method of taxation;
- the imposition of additional restrictions on currency conversion and remittances abroad; and
- deterioration of the global credit market and economic conditions.

Any significant changes in relation to any of these factors may materially and adversely affect our business, prospects, financial condition and results of operations.

China has been one of the world's fastest growing major economies as measured by GDP in recent years. However, China's real GDP growth has slowed down from 14.2% in 2007 to 7.5% in June 2014 and we cannot assure you that China will be able to sustain its growth rate. If the Chinese economy experiences a further slowdown in growth or a downturn, property demand may decline and our business, prospects, financial condition and results of operations may be materially and adversely affected.

In May 2017, Moody's Investors Service downgraded China's sovereign credit rating for the first time since 1989 and changed the outlook from stable to negative, citing concerns on the China's rising levels of debt and expectations of slower economic growth. In September 2017, S&P Global Ratings downgraded China's sovereign credit rating for the first time since 1999, citing similar concerns. The full impact of such actions by international rating agencies remains to be seen, but the perceived weaknesses in China's economic development model, if proven and left unchecked, would have profound implications. If China's economic conditions worsen, or if the banking and financial systems experience difficulties from over-indebtedness, businesses in China may face a more challenging operating environment, which may have a material and adverse impact on our business and financial condition.

***The global financial markets have experienced significant deterioration and volatility, which have negatively affected the global economy. Any further downturn may adversely affect our results of operations and financial condition***

The global financial markets have been affected by a general slowdown of economic growth globally, resulting in substantial volatility in global equity securities markets and tightening of liquidity in global credit markets. Since 2011, the tightening monetary policies and high inflation in the PRC, global economic uncertainties and the euro zone sovereign debt crisis have resulted in adverse market conditions and increased volatility in the PRC and overseas financial markets. While it is difficult to predict how long these conditions will exist and the extent to which we may be affected, these developments may continue to present risks to our business operations for an extended period of time, including increase in interest expenses on our bank borrowings, or reduction in the amount of banking facilities currently available to us. More recently, on June 23, 2016, the United Kingdom held a remain-or-leave referendum on its membership within the European Union, the result of which favored the exit of the United Kingdom from the European Union ("Brexit"). On January 31, 2020, the United Kingdom officially exited the European Union following a UK-EU Withdrawal Agreement signed in October 2019. The United Kingdom and the European Union will have a transition period until December 31, 2020 to negotiate, among others, trade agreements in details. Given the lack of precedent and uncertainty of the negotiation, the effect of Brexit remains uncertain, and Brexit has and may continue to create negative economic impact and increase volatility in the global market. These challenging market conditions have resulted in reduced liquidity, widening of credit spreads in credit markets, a reduction in available financing and a tightening of credit terms. Furthermore, China's economic growth may also slow down due to weakened exports as a result of tariffs and trade tensions caused by the U.S.-China trade war. In 2018 and 2019, the U.S. government,

under the administration of President Donald J. Trump, imposed several rounds of tariffs on cumulatively US$550 billion worth of Chinese products. In retaliation, the Chinese government responded with tariffs on cumulatively US$185 billion worth of U.S. products. In addition, in 2019, the U.S. government restricted certain Chinese technology firms from exporting certain sensitive U.S. goods. The Chinese government lodged a complaint in the World Trade Organization against the U.S. over the import tariffs in the same year. The trade war created substantial uncertainties and volatilities to global markets. On January 15, 2020, the U.S. and Chinese governments signed the U.S.-China Economic and Trade Agreement (the "Phase I Agreement"). Under the Phase I Agreement, the U.S. agreed to cancel a portion of tariffs imposed on Chinese products, China promised additional purchases of U.S. goods and services, and both parties expressed a commitment to further improving various trade issues. Despite this reprieve, however, it remains to be seen whether the Phase I Agreement will be abided by both governments and successfully reduce trade tensions. If either government violates the Phase I Agreement, it is likely that enforcement actions will be taken and trade tensions will escalate. Furthermore, additional concessions are needed to reach a comprehensive resolution of the trade war. The roadmap to the comprehensive resolution remains unclear, and the lasting impact it may have on China's economy and the PRC real estate industry remains uncertain. Should the trade war between the United States and the PRC begin to materially impact the PRC economy, the purchasing power of our customers in the PRC would be negatively affected. Any severe or prolonged slowdown or instability in the global or China's economy may materially and adversely affect our business, financial condition and results of operations.

Should there be a further economic downturn or credit crisis for any reason, our ability to borrow funds from current or other funding sources may be further limited, causing our continued access to funds to become more expensive, which would adversely affect our business, liquidity, financial condition, results of operations, and most importantly, our property development projects. As such, we cannot assure you that our business operations will not suffer further adverse effects caused by the previous or future credit crisis in the near future.

***Uncertainty with respect to the PRC legal system could affect our business, and it may be difficult to effect service of process upon us or our directors or officers that reside in the PRC, or to enforce against us or them in the PRC any judgments obtained from non-PRC courts***

As substantially all of our businesses are conducted and substantially all of our assets are located in the PRC, our operations are governed principally by PRC laws and regulations. The PRC legal system is based on written statutes, and prior court decisions can only be cited as reference. Since 1979, the PRC government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organization and governance, commerce, taxation, foreign exchange and trade, with a view to developing a comprehensive system of commercial law. However, because these laws and regulations have not been fully developed, and because of the limited volume of published cases and the non-binding nature of prior court decisions, the interpretation of PRC laws and regulations involves uncertainty. Depending on the way an application or case is presented to a government agent and on the government agent itself, we may receive less favorable interpretations of laws and regulations than our competitors. In addition, the PRC legal system is based in part on government policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. As a result, we may not be aware of our violation of these policies and rules until some time after the violation. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention.

Substantially all of our directors and officers reside within the PRC. In addition, substantially all of our assets and substantially all of the assets of our directors and executive officers are located within the PRC. A judgment of a court of another jurisdiction may be reciprocally recognized or enforced in the PRC if that jurisdiction has a treaty with the PRC or if judgments of the PRC courts have been recognized before in that jurisdiction, subject to the satisfaction of any other requirements. The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the United Kingdom, Japan and many other countries. Therefore, it may not be possible for investors to effect service of process upon us or those persons in the PRC or to enforce against them or us in the PRC any judgments obtained from non-PRC courts. In addition, recognition and enforcement in the PRC of judgments of a court of any other jurisdiction in relation to any matter not subject to a binding arbitration provision may be difficult or impossible.

***Fluctuation in the exchange rates of the Renminbi may have a material adverse effect on our business and on your investment***

The exchange rates between the Renminbi and the U.S. dollar or other foreign currencies are affected by, among other things, changes in China's political and economic conditions. On July 21, 2005, the PRC government changed its foreign exchange policy to pegging the value of the Renminbi to a basket of currencies, determined by the PBOC, against which it may rise or fall by a stated maximum percentage amount each day. This change in policy has allowed the value of the Renminbi to appreciate significantly against the U.S. dollar. Effective April 16, 2012, this trading band has been widened from 0.5% to 1%, which could result in a further and more significant appreciation of the Renminbi against the U.S. dollar or other foreign currency. There remains significant international pressure on the PRC government to adopt a more flexible currency policy. See "Exchange Rate Information."

Substantially all of our revenues are generated by our PRC subsidiaries and associates and are denominated in Renminbi and we rely on dividends paid by our subsidiaries and associates which in turn will be used by us to pay interest to holders of the Notes. To the extent that we need to convert the proceeds from this offering and future financing into the Renminbi for our operations, appreciation of the Renminbi against the U.S. dollar would have an adverse effect on the Renminbi amount we would receive from the conversion. Conversely, if our subsidiaries and associates decide to convert their Renminbi into U.S. dollars for the purpose of making payments of interest and certain other amounts on the Notes or for other business purposes, appreciation of the U.S. dollar against the Renminbi would have a negative effect on the U.S. dollar amount available to us.

Furthermore, there are limited hedging instruments available in China to reduce our exposure to exchange rate fluctuations between Renminbi and other currencies. To date, we have not entered into any hedging transactions to reduce our exposure to such risks. Following the offering of the Notes, we may enter into foreign exchange or interest rate hedging arrangements in respect of our U.S. dollar-denominated liabilities under the Notes. These hedging arrangements may require us to pledge or transfer cash and other collateral to secure our obligations under the arrangements, and the amount of collateral required may increase as a result of mark-to-market adjustments. The Initial Purchasers and their affiliates may enter into such hedging arrangements permitted under the Indentures, and these arrangements may be secured by pledges of our cash and other assets as permitted under the Indentures. If we were unable to provide such collateral, it could constitute a default under such hedging arrangements.

***Governmental control over currency conversion may limit our ability to utilize our cash effectively and potentially affect our ability to pay interest to holders of the Notes***

Substantially all of our revenue is denominated in Renminbi. The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. Under existing PRC foreign exchange regulations, payments of certain current account items, including profit distributions, interest payments and expenditures from trade related transactions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, approval from SAFE or its local branch is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of bank loans denominated in foreign currencies. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions.

Under our current corporate structure, our Company's income is primarily derived from dividend payments from our PRC subsidiaries. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency-denominated obligations. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay interest to holders of the Notes. In addition, since a significant amount of our future cash flow from operations will be denominated in Renminbi, any existing and future restrictions on currency exchange may limit our ability to purchase goods and services outside of China or otherwise fund our business activities that are conducted in foreign currencies.

***We cannot guarantee the accuracy of facts, forecasts and other statistics, including with respect to the PRC, the PRC economy and the PRC property sector, contained in this offering memorandum***

Facts, forecasts and other statistics in this offering memorandum relating to the PRC, the PRC economy, the PRC property sector and other areas have been derived from, among other sources, various PRC government publications. We cannot guarantee the quality or reliability of such source materials. They have not been prepared or independently verified by us, the Initial Purchasers or any of our or their respective affiliates or advisors and, therefore, we make no representation as to the accuracy of such facts, forecasts and statistics, which may not be consistent with other information compiled within or outside the PRC. Due to possibly flawed or ineffective collection methods or discrepancies between government publications and market practice and other problems, the statistics herein may be inaccurate or may not be comparable to statistics produced for other economies and should not be unduly relied upon. Further, there can be no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such facts, forecasts or statistics.

**Risks Relating to the Notes and this Offering**

***We are a holding company and payments with respect to the Notes are effectively subordinated to certain liabilities, contingent liabilities and obligations of our subsidiaries***

We are a holding company with no material operations. We conduct our operations through our PRC subsidiaries. The Notes will not be guaranteed by any current or future PRC subsidiaries and certain offshore subsidiaries. Our primary assets are ownership interests in our PRC subsidiaries, which are held through the Subsidiary Guarantors and certain other non-guarantor subsidiaries. The Subsidiary Guarantors do not, and the JV Subsidiary Guarantors (if any) may not, have material operations. Accordingly, our ability to pay principal and interest on the Notes and the ability of the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) to satisfy their obligations under the Subsidiary Guarantees or JV Subsidiary Guarantees (as the case may be) will depend upon our receipt of principal and interest payments on any intercompany loans and distributions of dividends from our subsidiaries.

Creditors, including trade creditors of Non-Guarantor Subsidiaries (being our current and future PRC subsidiaries and certain offshore subsidiaries) and any holders of preferred shares in such entities, would have a claim on the Non-Guarantor Subsidiaries' assets that would be prior to the claims of holders of the Notes. As a result, our payment obligations under the Notes will be effectively subordinated to all existing and future obligations of our Non-Guarantor Subsidiaries, including their obligations under guarantees they have issued or will issue in connection with our business operations, and all claims of creditors of our Non-Guarantor Subsidiaries will have priority as to the assets of such entities over our claims and those of our creditors, including holders of the Notes. As of June 30, 2020, our PRC subsidiaries had bank and other loans in the amount of RMB256,029.3 million (US$36,238.6 million), capital commitments in the amount of approximately RMB152,172.0 million (US$21,538.5 million), and contingent liabilities arising from guarantees in the amount of RMB130,057.0 million (US$18,408.4 million). The Notes and the Indentures permit us, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any) and our Non-Guarantor Subsidiaries to incur additional indebtedness and issue additional guarantees, subject to certain limitations. In addition, our secured creditors or those of any Subsidiary Guarantor or JV Subsidiary Guarantor (if any) would have priority as to our assets or the assets of such Subsidiary Guarantor or JV Subsidiary Guarantor (if any) securing the related obligations over claims of holders of the Notes.

Under the terms of the Notes, a limited-recourse guarantee, or JV Subsidiary Guarantee, may be provided in lieu of a Subsidiary Guarantee following our sale or issuance to a third party of a 20% to 49.9% equity interest in a subsidiary or following our purchase of a 50.1% to 80.0% equity interest in a third party (subject to the satisfaction of certain conditions). Recovery under a JV Subsidiary Guarantee is limited to an amount equal to our proportional interest in the issued share capital of such Subsidiary Guarantor, or JV Subsidiary Guarantor, multiplied by the fair market value of the total assets in such JV Subsidiary Guarantor and its subsidiaries, on a consolidated basis, as of the date of the last fiscal year end

of the Company. As a result, the amount that may be recovered by the Collateral Agent or the Trustee pursuant to a JV Subsidiary Guarantee (compared to a Subsidiary Guarantee) is reduced, which in turn may affect your ability to recover any amounts due under the Notes.

Pursuant to the terms of the Indentures, certain of our offshore subsidiaries, including our joint venture company with Greentown China Holdings Limited, the Exempted Subsidiaries and the Listed Subsidiaries (each as defined in "Description of the Notes"), will not provide any Subsidiary Guarantee or JV Subsidiary Guarantee, if the consolidated assets of these subsidiaries (other than our joint venture company with Greentown China, the Exempted Subsidiaries and the Listed Subsidiaries) do not account for more than 25.0% of our total assets (without counting the assets of the Listed Subsidiaries). These offshore subsidiaries are in turn permitted under the terms of the Indentures to incur a substantial amount of indebtedness, secured or otherwise. As such, our payment obligations under the Notes and the Subsidiary Guarantees will be subordinated to the payment obligations under such indebtedness.

***The Notes may become unsecured obligations***

According to the Indentures, the share charges over the shares of the Subsidiary Guarantors may be released upon satisfaction of certain conditions. As such our Notes may become unsecured obligations, their repayment may therefore be compromised if:

- we enter into bankruptcy, liquidation, reorganization or other winding-up proceeding;
- there is a default in payment under our secured or unsecured indebtedness; or
- there is an acceleration of any of our indebtedness.

If any of these events occur, our assets may not be sufficient to pay amounts due on the Notes or on the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors.

***We have incurred significant indebtedness and may incur substantial additional indebtedness in the future, which could adversely affect our financial condition and could further intensify the risks associated with our leverage***

We have significant indebtedness outstanding. In addition, we, including our Non-Guarantor Subsidiaries, may from time to time incur substantial additional indebtedness. See "— Risks Relating to Our Business — We maintain a high level of indebtedness to finance our capital intensive business, and we may not have adequate cash flow to fund our operations or to service our financing obligations." Although the Indentures limit us and our subsidiaries and associates from incurring additional debt, these limitations are subject to important exceptions and qualifications. If we or our subsidiaries and associates incur additional debt, the risks that we and our subsidiaries and associates face as a result of such indebtedness and leverage could intensify. The amount of our indebtedness could have important consequences to holders of the Notes. For example, it could:

- limit our ability to satisfy our obligations under the Notes and other debt;
- increase our vulnerability to adverse general economic and industry condition;
- require us to dedicate a substantial portion of our cash flow from operations to servicing and repaying indebtedness, reducing the availability of cash flow to fund working capital, capital expenditures and other general corporate purposes;
- limit our flexibility in planning for or reacting to changes in the businesses and the industry in which we operate;
- place us at a competitive disadvantage compared to our competitors that have less debt;

- limit our ability to borrow additional funds; and
- increase the cost of additional financing.

Under the Notes, our ability to incur additional debt is subject to the limitation on indebtedness and preferred stock covenant. Under such covenant, we may incur (i) certain Permitted Indebtedness or (ii) additional indebtedness if we can, among other things, satisfy the Fixed Charge Coverage Ratio. The Fixed Charge Coverage Ratio is derived by dividing Consolidated EBITDA by Consolidated Fixed Charges. Consolidated Fixed Charges comprises of Consolidated Interest Expense and dividends paid on any Disqualified Stock or Preferred Stock of the Company or any Restricted Subsidiary. Because our definition of Consolidated Net Income (which is a significant component of Consolidated EBITDA) for the Notes includes our unrealized gains on valuation adjustments on our investment properties, and also because our definition of Consolidated EBITDA includes impairment provisions and any share of profit of investments accounted for using equity methods, our Consolidated EBITDA and therefore our ability to incur additional debt under such covenants could be substantially larger when compared to other similarly situated PRC issuers whose covenants do not typically include such gains in the definition of Consolidated Net Income. As a result, our ability to incur additional debt under the Fixed Charge Coverage Ratio could be substantially larger when compared to such other issuers. In addition, because our definition of Consolidated Interest Expense is net of our interest income and only includes interest payable by the Company or any Restricted Subsidiary if such interest accrues on Indebtedness of any other Person that is Guaranteed by, or secured by a Lien on any asset of, the Company or any Restricted Subsidiary, our Consolidated Fixed Charges would be substantially lower, and therefore our ability to incur additional debt under such covenant could be substantially larger, when compared to other similarly situated PRC high yield issuers whose covenants do not typically offset interest income in the calculation of their respective Consolidated Interest Expense and include any interest accrued on Indebtedness so guaranteed. If we or our subsidiaries incur additional debt, the risks that we face as a result of our already substantial indebtedness and leverage could intensify. If we or our subsidiaries incur additional debt, the ratings assigned to the notes by any rating agency may be adversely affected which could adversely affect the market price of the Notes. See "— The ratings assigned to the Notes and our corporate ratings may be lowered or withdrawn in the future."

Our ability to generate sufficient cash to satisfy our outstanding and future debt obligations will depend upon our future operating performance, which will be affected by prevailing economic conditions and financial, business and other factors, many of which are beyond our control. If we are unable to service our indebtedness, we will be forced to adopt an alternative strategy that may include actions such as reducing or delaying capital expenditures, selling assets, restructuring or refinancing existing indebtedness or seeking equity capital. These strategies may not be instituted on satisfactory terms.

***The terms of the Notes permit us to make investments in Unrestricted Subsidiaries and minority owned joint ventures***

In light of land prices, sizes of projects, the competitive landscape and other factors, we may from time to time consider developing properties jointly with other property developers. When suitable opportunities arise, we may also consider acquiring equity interests or otherwise make investments in other entities that we consider beneficial to our business, such as investments in a bank, financial institution or real estate fund. As a result, we may need to make investments in joint ventures and minority-owned entities, some of which may not be engaged in the property development business and may or may not be Restricted Subsidiaries. Although the Indentures restrict us and our Restricted Subsidiaries from making investments, including in Unrestricted Subsidiaries, joint ventures or minority-owned entities, these restrictions are subject to important exceptions and qualifications. In particular, the Indentures governing the Notes does not impose a minimum shareholding requirement or restrict the types of business these entities are engaged in, and we are also not required to satisfy the Fixed Charge Coverage Ratio if the aggregate amount of these investments does not exceed 40% of our total assets. Further, for entities in which we will own 20% or more (but 50% or less) of its capital stock after such investment, we are not subject to any limit on the aggregate amount of all such investments nor are we required to satisfy the Fixed Charge Coverage Ratio for investments in such entities. We are also permitted to make

investments in certain Greentown Entities and Wharf Entities (as defined in "Description of the Notes") and purchase up to 50% of the capital stock of Greentown China Holdings Limited, provided that such purchase will, at our discretion, either reduce the Restricted Payment basket or the Permitted Investment basket. We cannot assure you that any of these investments will result in any profit. We may lose the total value of all these investments. See the section entitled "Limitation on Restricted Payments" and the definition of "Permitted Investment" in "Description of the Notes".

***The terms of the Notes permit us to buy out minority interests in non-wholly owned Restricted Subsidiaries, and such purchases will not constitute Restricted Payments***

The Indentures permit us to redeem, repurchase or otherwise acquire minority interests in our Restricted Subsidiaries in an arm's length transaction, and such purchases will not constitute Restricted Payments. See "Description of the Notes — Certain Covenants — Limitation on Restricted Payments." Even though such transactions would potentially increase our ownership interests in the relevant Restricted Subsidiary, we may pay substantial amounts of consideration in these transactions, whether in cash or other assets, which may adversely impact our business, results of operations and financial condition.

***Our operations are restricted by the terms of the Notes, which could limit our ability to plan for or to react to market conditions or meet our capital needs, which could increase your credit risk***

The Indentures include a number of significant restrictive covenants. These covenants restrict, among other things, our ability, and the ability of our Restricted Subsidiaries, to:

- incur or guarantee additional indebtedness and issue disqualified or preferred stock;
- declare dividends on capital stock or purchase or redeem capital stock;
- make investments or other specified restricted payments;
- issue or sell capital stock of Restricted Subsidiaries;
- guarantee indebtedness of Restricted Subsidiaries;
- sell assets;
- create liens;
- enter into sale and leaseback transactions;
- enter into agreements that restrict the Restricted Subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- enter into transactions with shareholders or affiliates; and
- effect a consolidation or merger.

These covenants could limit our ability to plan for or react to market conditions or to meet our capital needs. Our ability to comply with these covenants may be affected by events beyond our control, and we may have to curtail some of our operations and growth plans to maintain compliance.

***If we are unable to comply with the restrictions and covenants in our debt agreements or the Indentures, there could be a default under the terms of these agreements or the Indentures, which could cause repayment of our debt to be accelerated***

If we are unable to comply with the restrictions and covenants in the Indentures or our current or future debt obligations and other agreements, there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments

to lend to us, accelerate repayment of the debt and declare all outstanding amounts due and payable or terminate the agreements, as the case may be. Furthermore, some of our debt agreements, including, among others, the Indentures, respective indentures for the Existing Notes and the 2019 CCB Facilities contain cross-acceleration or cross-default provisions. As a result, our default under one debt agreement may cause the acceleration of repayment of not only such debt but also other debt, including, among others, the Notes, the Existing Notes and the 2019 CCB Facilities or result in a default under our other debt agreements, including, among others, the Indentures, the respective indentures for the Existing Notes and the 2019 CCB Facilities Agreement. If any of these events occur, we cannot assure you that our assets and cash flow would be sufficient to repay in full all of our indebtedness, or that we would be able to find alternative financing. Even if we could obtain alternative financing, we cannot assure you that it would be on terms that are favorable or acceptable to us.

***Our subsidiaries and associates are subject to restrictions on the payment of dividends and the repayment of intercompany loans or advances to us***

As a holding company, we depend on the receipt of dividends and the interest and principal payments on intercompany loans or advances from our subsidiaries and associates to satisfy our obligations, including our obligations under the Notes. The ability of our subsidiaries and associates to pay dividends and make payments on intercompany loans or advances to their shareholders is subject to, among other things, distributable earnings, cash flow conditions, restrictions contained in the articles of association of our subsidiaries, applicable laws and restrictions contained in the debt instruments or agreements of such subsidiaries. In addition, if any of our subsidiaries or associates raises capital by issuing equity securities to third parties, dividends declared and paid with respect to such equity securities would not be available to us to make payments on the Notes. These restrictions could reduce the amounts that we receive from our subsidiaries and associates, which would restrict our ability to meet our payment obligations under the Notes and the obligations of the Subsidiary Guarantors or JV Subsidiary Guarantors (if any) under the Subsidiary Guarantees or JV Subsidiary Guarantees, as the case may be.

PRC laws and regulations permit payment of dividends only out of accumulated profits as determined in accordance with PRC accounting standards and regulations and such profits differ from profits determined in accordance with HKFRS in certain significant respects, including the use of different bases of recognition of revenue and expenses. Our PRC subsidiaries and associates are also required to set aside a portion of their after-tax profits according to PRC accounting standards and regulations to fund certain reserves that are not distributable as cash dividends. In addition, dividends paid by our PRC subsidiaries to their non-PRC parent companies will be subject to a 10% withholding tax, unless there is a tax treaty between the PRC and the jurisdiction in which the overseas parent company is incorporated that specifically exempts or reduces such withholding tax. Pursuant to an avoidance of double taxation arrangement between Hong Kong and the PRC, if the non-PRC parent company is a Hong Kong resident and directly holds a 25% or more interest in the PRC enterprise, such withholding tax rate may be lowered to 5%. However, according to current PRC tax regulations, approval from the local tax authority is required in order to benefit from the 5% withholding tax rate and such lower rate will be denied to "conduit" or shell companies without business substance. As a result, there could be restrictions, including timing limitations, on payments from our PRC subsidiaries and associates to meet payments required by the Notes, to satisfy the obligations of the Subsidiary Guarantors or JV Subsidiary Guarantors (if any) under the Subsidiary Guarantees or JV Subsidiary Guarantees, as the case may be, and to redeem the Notes for any early redemption.

As a result of the foregoing, we cannot assure you that we will have sufficient cash flow from dividends from our subsidiaries to satisfy our obligations under the Notes or the obligations of the Subsidiary Guarantors or JV Subsidiary Guarantors (if any) under the Subsidiary Guarantees or JV Subsidiary Guarantees as the case may be.

***The terms of the Notes give us enhanced flexibility to pay dividends and repurchase our Shares***

We pay dividends to our shareholders or repurchase our common stock from time to time. Under the Indentures, any such dividend payment will be a "Restricted Payment," which could not be made unless we can, among other things, satisfy the Fixed Charge Coverage Ratio. However, such restriction is subject to important exceptions and qualifications. Under the terms of the Notes, we may pay dividends on our

Common Stock or repurchase our Common Stock in an aggregate amount up to 25% of our profit for the year without satisfying the Fixed Charge Coverage Ratio. With such an exception, we may be able to pay substantial amount of dividends even when we are highly leveraged, which may materially and adversely affect our ability to service our indebtedness, including the Notes.

***We may not be able to repurchase the Notes and the Existing Notes upon a Change of Control Triggering Event***

We must offer to purchase the Notes and the Existing Notes upon the occurrence of a Change of Control Triggering Event, at a purchase price equal to 101% of the principal amount plus accrued and unpaid interest. See "Description of the Notes — Repurchase of Notes upon a Change of Control Triggering Event," and "Description of Other Material Indebtedness."

The source of funds for any such purchase would be our available cash or third-party financing. However, we may not have sufficient available funds at the time of the occurrence of any Change of Control Triggering Event to make purchases of outstanding Notes and the Existing Notes. Our failure to make the offer to purchase or to purchase the outstanding Notes and the Existing Notes would constitute an Event of Default under the Notes and the Existing Notes. The Event of Default may, in turn, constitute an event of default under other indebtedness, any of which could cause the related debt to be accelerated after any applicable notice or grace periods. If our other debt were to be accelerated, we may not have sufficient funds to purchase the Notes and the Existing Notes and repay the debt.

In addition, the definition of Change of Control Triggering Event for purposes of the Indentures does not necessarily afford protection for the holders of the Notes in the event of some highly leveraged transactions, including certain acquisitions, mergers, refinancing, restructurings or other recapitalizations. These types of transactions could, however, increase our indebtedness or otherwise affect our capital structure or credit ratings. The definition of Change of Control Triggering Event for purposes of the Indentures also includes a phrase relating to the sale of "all or substantially all" of our assets. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition under applicable law. Accordingly, our obligation to make an offer to purchase the Notes and the ability of a holder of the Notes to require us to purchase its Notes pursuant to the offer as a result of a highly-leveraged transaction or a sale of less than all of our assets may be uncertain.

***We may be unable to obtain and remit foreign exchange***

Our ability to satisfy our obligations under the Notes depends upon the ability of our subsidiaries in the PRC to obtain and remit sufficient foreign currency to pay dividends to us and to repay shareholder loans. Our PRC subsidiaries must present certain documents to SAFE, its authorized branch or the designated foreign exchange bank, for approval before they can obtain and remit foreign currencies out of the PRC (including, in the case of dividends, evidence that the relevant PRC taxes have been paid and, in the case of shareholder loans, evidence of the registration of the loan with SAFE). Prior to payment of interest and principal on any shareholder loan we make to our PRC subsidiaries, the relevant PRC subsidiary must also present evidence of payment of the 10% (or 7% if the interest is paid to a Hong Kong resident, subject to approval by local tax authorities) withholding tax on the interest payable in respect of such shareholder loan. If any PRC subsidiary for any reason fails to satisfy any of the PRC legal requirements for remitting foreign currency payments, the PRC subsidiary will be unable to pay us dividends or interest and principal on our existing shareholder loans, which may affect our ability to satisfy our obligations under the Notes.

***The insolvency laws of the Cayman Islands and other local insolvency laws may differ from U.S. bankruptcy law or those of another jurisdiction with which holders of the Notes are familiar***

Because our Company is incorporated, and the JV Subsidiary Guarantors (if any) may be incorporated, under the laws of the Cayman Islands, an insolvency proceeding relating to us or any such JV Subsidiary Guarantor, even if brought in the United States, would likely involve Cayman Islands

insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of United States federal bankruptcy law. In addition, our Subsidiary Guarantors and other JV Subsidiary Guarantors (if any) are incorporated or may be incorporated in the British Virgin Islands or Hong Kong and the insolvency laws of the British Virgin Islands and Hong Kong may also differ from the laws of the United States or other jurisdictions with which the holders of the Notes are familiar.

We conduct substantially all of our business operations through PRC-incorporated subsidiaries in China. The Subsidiary Guarantors, as equity holders in our PRC subsidiaries, are necessarily subject to the bankruptcy and insolvency laws of China in a bankruptcy or insolvency proceeding involving any of such PRC subsidiaries. Any JV Subsidiary Guarantors which become equity holders of our PRC subsidiaries would also be subject to such laws. The PRC laws and regulations relating to bankruptcy and insolvency and the legal proceedings in that regard may significantly differ from those of the United States and other jurisdictions with which the holders of the Notes are familiar. You should analyze the risks and uncertainties carefully before you invest in our Notes.

***We may designate any Restricted Subsidiaries to be Unrestricted Subsidiaries subject to the conditions set forth in the Indentures and after such designation, those subsidiaries will not be subject to various covenants under the Indentures***

On November 19, 2020, the Hong Kong Stock Exchange granted the listing of, and permission to deal in, the shares of Sunac Services on the main board of the Hong Kong Stock Exchange. See "Summary — Recent Developments — Spin-off and Separate Listing of Our Property Management Business" for further details. We have designated Sunac Services and its subsidiaries, and other related subsidiaries, as unrestricted subsidiaries under the Indentures and our existing indentures governing the Existing Notes. Accordingly, you are cautioned as to our intended initial designation of Unrestricted Subsidiaries under the Indentures, and our ability to designate further Unrestricted Subsidiaries subject to the conditions set forth in the Indentures.

***A trading market for the New Notes may not develop, and there are restrictions on resale of the Notes***

The Existing 2025 Notes and the Existing 2024 Notes are listed and quoted on the SGX-ST. Although application will be made to the SGX-ST for the listing and quotation of the New Notes on the SGX-ST, we cannot assure you that we will obtain or be able to maintain a listing of the New Notes on the SGX-ST, or that, if listed, a liquid trading market will develop. We have been advised that the Initial Purchasers intend to make a market in the New Notes, but the Initial Purchasers are not obligated to do so and may discontinue such market making activity at any time without notice. In addition, the New Notes are being offered pursuant to exemptions from registration under the Securities Act and, as a result, you will only be able to resell your Notes in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act. See the section entitled "Transfer Restrictions." We cannot predict whether an active trading market for the Notes will develop or be sustained.

***The ratings assigned to the Notes and our corporate ratings may be lowered or withdrawn in the future***

The Notes have received a rating of "B+" by Standard & Poor's Ratings Services, "B1" by Moody's Investors Service and "BB" by Fitch Ratings Ltd. The ratings assigned to the Notes may be lowered or withdrawn entirely in the future. The ratings address our ability to perform our obligations under the terms of the Notes and credit risks in determining the likelihood that payments will be made when due under the Notes. In addition, in April 2019, Standard & Poor's Ratings Services assigned us a long-term corporate credit rating of "BB-" with a stable outlook, Fitch Ratings Ltd. assigned us a long-term foreign currency issuer default rating to "BB" with a stable outlook, and Moody's Investors Service assigned us a corporate family rating "Ba3" with a stable outlook. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. We cannot assure you that a rating will remain for any given period of time or that a rating will not be lowered or withdrawn entirely by the relevant rating agency if in its judgment circumstances in the future so warrant. We have no obligation to inform holders of the Notes of any such revision, downgrade or withdrawal. A suspension, reduction or withdrawal at any time of the rating assigned to the Notes may adversely affect the market price of the Notes.

***Certain transactions that constitute "connected transactions" under the Listing Rules will not be subject to the "Limitation on Transactions with Shareholders and Affiliates" covenant in the Indentures***

Our shares are listed on the Hong Kong Stock Exchange and we are required to comply with its Listing Rules, which provide, among other things, that a "connected transaction" exceeding the applicable de minimis value thresholds will require prior approval of the independent shareholders of such listed company. However, the "Limitation on Transactions with Shareholders and Affiliates" covenant in the Indentures does not capture transactions between the Company or any Restricted Subsidiary, on the one hand, and an Affiliate of any Restricted Subsidiary, on the other hand. As a result, we are not required by the terms of the Notes to ensure that any such transactions are on terms that are fair and reasonable, and we will not need to deliver officer's certificates or procure the delivery of fairness opinions of accounting, appraisal or investment banking firms to the Trustee of the Notes for any such transactions.

***The liquidity and price of the Notes following the offering may be volatile***

The price and trading volume of the Notes may be highly volatile. Factors such as variations in our revenue, earnings and cash flows, proposals for new investments, strategic alliances and/or acquisitions, changes in interest rates, fluctuations in price for comparable companies, government regulations and changes thereof applicable to our industry and general economic conditions nationally or internationally could cause the price of the Notes to change. Any such developments may result in large and sudden changes in the trading volume and price of the Notes. We cannot assure you that these developments will not occur in the future.

***There may be less publicly available information about us than is available in certain other jurisdictions***

There may be less publicly available information about companies listed in Hong Kong than is regularly made available by public companies in certain other countries. In addition, the financial information in this offering memorandum has been prepared in accordance with HKFRS, which differ in certain respects from generally accepted accounting principles in other jurisdictions, including the United States, which might be material to the financial information contained in this offering memorandum.

***We will follow the applicable corporate disclosure standards for debt securities listed on the SGX-ST, which standards may be different from those applicable to debt securities listed in certain other countries***

For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, we will be subject to continuing listing obligations in respect of the Notes. The disclosure standards imposed by the SGX-ST may be different from those imposed by securities exchanges in other countries such as the United States or Hong Kong. As a result, the level of information that is available may not correspond to what investors in the Notes are accustomed to.

***The transfer of the Notes is restricted which may adversely affect their liquidity and the price at which they may be sold***

The Notes and the Subsidiary Guarantees have not been registered under, and we are not obligated to register the Notes or the Subsidiary Guarantees under, the Securities Act or the securities laws of any other jurisdiction and, unless so registered, may not be offered or sold except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act and any other applicable laws. See the section entitled "Transfer Restrictions." We have not agreed to or otherwise undertaken to register the Notes and the Subsidiary Guarantees (including by way of an exchange offer), and we have no intention to do so.

***The New Notes will initially be held in book-entry form, and therefore you must rely on the procedures of the relevant clearing systems to exercise any rights and remedies***

The New Notes will initially only be issued in global certificated form and held through Euroclear and Clearstream. Interests in the global notes representing the Notes will trade in book-entry form only, and Notes in definitive registered form, or definitive registered notes, will be issued in exchange for book-entry interests only in very limited circumstances. Owners of book-entry interests will not be considered owners or holders of the Notes. The common depositary for Euroclear and Clearstream will be the sole registered holder of the global notes representing the Notes. Payments of principal, interest and other amounts owing on or in respect of the global notes representing the Notes will be made to the paying agent which will make payments to Euroclear and Clearstream. Thereafter, these payments will be credited to accounts of participants that hold book-entry interests in the global notes representing the Notes and credited by such participants to indirect participants. After payment to Euroclear and Clearstream, we will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book-entry interests. Accordingly, if you own a book-entry interest, you must rely on the procedures of Euroclear or Clearstream, and if you are not a participant in Euroclear or Clearstream, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of a holder of the Notes under the Indentures.

Unlike the holders of the Notes themselves, owners of book-entry interests will not have the direct right to act upon our solicitations for consents, requests for waivers or other actions from holders of the Notes. Instead, if you own a book-entry interest, you will be permitted to act only to the extent you have received appropriate proxies to do so from Euroclear and Clearstream. The procedures implemented for the granting of such proxies may not be sufficient to enable you to vote on a timely basis.

Similarly, upon the occurrence of an Event of Default under the Indentures, unless and until definitive registered notes are issued with respect to all book-entry interests, if you own a book-entry interest, you will be restricted to acting through Euroclear and Clearstream. The procedures to be implemented through Euroclear and Clearstream may not be adequate to ensure the timely exercise of rights under the Notes. See "Description of the Notes — Book-Entry; Delivery and Form."

**Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral**

***Our initial Subsidiary Guarantors do not currently have significant operations and certain Subsidiary Guarantees may in some cases be replaced by limited-recourse guarantees***

We conduct substantially all of our business operations through our PRC subsidiaries, but none of our current PRC subsidiaries and their direct PRC or non-PRC subsidiaries will provide a Subsidiary Guarantee or a JV Subsidiary Guarantee either upon issuance of the Notes or at any time thereafter. None of the future subsidiaries organized under the laws of the PRC or their future PRC or non-PRC subsidiaries, the Exempted Subsidiaries, the Listed Subsidiaries, and certain offshore subsidiaries, the consolidated assets of which (other than our joint venture company with Greentown China, the Exempted Subsidiaries and the Listed Subsidiaries) do not account for more than 25% of our total assets (without counting the assets of the Exempted Subsidiaries and the Listed Subsidiaries), will provide a Subsidiary Guarantee or JV Subsidiary Guarantee at any time in the future. As a result, the Notes will be effectively subordinated to all the debt and other obligations, including contingent obligations and trade payables, of the PRC subsidiaries and such offshore subsidiaries. Moreover, the charge over the shares of the offshore subsidiaries of the Company (the "Collateral") will not include the capital stock of our existing or future Non-Guarantor Subsidiaries, including our PRC subsidiaries and such offshore subsidiaries.

The initial Subsidiary Guarantors that will guarantee the Notes do not have significant operations. We cannot assure you that the initial Subsidiary Guarantors or any subsidiaries that may become Subsidiary Guarantors or JV Subsidiary Guarantors in the future will have the funds necessary to satisfy our financial obligations under the Notes if we are unable to do so. See "— Risks Relating to the Notes and this Offering — We are a holding company and payments with respect to the Notes are effectively subordinated to certain liabilities, contingent liabilities and obligations of our subsidiaries."

In addition, a Subsidiary Guarantee required to be provided by a subsidiary of the Company under the terms of the Notes may be replaced by a limited-recourse JV Subsidiary Guarantee following the sale or issuance to, or a purchase from, a third party of a minority interest in such subsidiary or its direct or indirect majority shareholders (subject to the satisfaction of certain conditions). Recovery under a JV Subsidiary Guarantee is limited to an amount equal to our proportional interest in the issued share capital of such JV Subsidiary Guarantor multiplied by the fair market value of the total assets in such JV Subsidiary Guarantor and its subsidiaries, on a consolidated basis, as of the date of the last fiscal year end of the Company.

***The pledge of certain Collateral may be released under certain circumstances***

The Collateral may be released at any time after the date on which no outstanding Indebtedness other than the Notes is secured by the Collateral; provided that, no Default has occurred and is continuing on such date or no Default would have occurred as a result of such release.

In addition, in the event the conditions applicable to the replacement of a Subsidiary Guarantee with a JV Subsidiary Guarantee are satisfied, we are permitted to release the pledge of the shares granted by such Subsidiary Guarantor, as well as the pledge of the shares granted by the subsidiaries of such Subsidiary Guarantor. We are only required to deliver a replacement share pledge for the shares that we continue to hold in such JV Subsidiary Guarantor (but not the subsidiaries of such JV Subsidiary Guarantor) following the sale of the equity interests in such Subsidiary Guarantor. As a result, in the event we sell minority equity interests in our Subsidiary Guarantors or otherwise create JV Subsidiary Guarantors in accordance with the terms of the Indentures, the Collateral will be reduced in value and scope, and holders of the Notes would be subject to increased risks.

***The Subsidiary Guarantees or JV Subsidiary Guarantees may be challenged under applicable insolvency or fraudulent transfer laws, which could impair the enforceability of the Subsidiary Guarantees or JV Subsidiary Guarantees***

Under bankruptcy laws, fraudulent transfer laws, insolvency or unfair preference or similar laws in the Cayman Islands, the British Virgin Islands, Hong Kong and other jurisdictions where future Subsidiary Guarantors or JV Subsidiary Guarantors (if any) may be established, a guarantee could be voided, or claims in respect of a guarantee could be subordinated to all other debts of that guarantor if, among other things, the guarantor, at the time it incurred the indebtedness evidenced by, or when it gives, its guarantee:

- incurred the debt with the intent to hinder, delay or defraud creditors or was influenced by a desire to put the beneficiary of the guarantee in a position which, in the event of the guarantor' insolvency, would be better than the position the beneficiary would have been in had the guarantee not been given;

- received less than reasonably equivalent value or fair consideration for the incurrence of such guarantee;

- was insolvent or rendered insolvent by reason of the incurrence of such guarantee;

- was engaged in a business or transaction for which the guarantor's remaining assets constituted unreasonably small capital; or

- intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature.

The measure of insolvency for purposes of the foregoing will vary depending on the laws of the applicable jurisdiction. Generally, however, a guarantor would be considered insolvent at a particular time if it were unable to pay its debts as they fell due or if the sum of its debts was then greater than all of its properties at a fair valuation or if the present fair saleable value of its assets was then less than the amount that would be required to pay its probable liabilities in respect of its existing debts as they became absolute and matured.

In addition, a guarantee may be subject to review under applicable insolvency or fraudulent transfer laws in certain jurisdictions or subject to a lawsuit by or on behalf of creditors of the guarantor. In such case, the analysis set forth above would generally apply, except that the guarantee could also be subject to the claim that, since the guarantee was not incurred for the benefit of the guarantor, the obligations of the guarantor thereunder were incurred for less than reasonably equivalent value or fair consideration.

In an attempt to limit the applicability of insolvency and fraudulent transfer laws in certain jurisdictions, the obligations of the Subsidiary Guarantors or JV Subsidiary Guarantors (if any) under the Subsidiary Guarantees or JV Subsidiary Guarantees (as the case may be) will be limited to the maximum amount that can be guaranteed by the applicable Subsidiary Guarantor or JV Subsidiary Guarantor without rendering the guarantee, as it relates to such Subsidiary Guarantor or JV Subsidiary Guarantor, voidable under such applicable insolvency or fraudulent transfer laws.

If a court voids a Subsidiary Guarantee or JV Subsidiary Guarantee (as the case may be), subordinates such guarantee to other indebtedness of the Subsidiary Guarantor or JV Subsidiary Guarantor, or holds the Subsidiary Guarantee or JV Subsidiary Guarantee (as the case may be) unenforceable for any other reason, holders of the Notes would cease to have a claim against that Subsidiary Guarantor or JV Subsidiary Guarantor based upon such guarantee, would be subject to the prior payment of all liabilities (including trade payables) of such Subsidiary Guarantor or JV Subsidiary Guarantor (as the case may be), and would solely be creditors of us and any Subsidiary Guarantors or JV Subsidiary Guarantors whose guarantees have not been voided or held unenforceable. We cannot assure you that, in such an event, after providing for all prior claims, there would be sufficient assets to satisfy the claims of the holders of the Notes.

***The pledge of certain Collateral may in some circumstances be voidable***

The pledge of the Collateral may be voidable as a preference under insolvency or fraudulent transfer or similar laws of Hong Kong, the Cayman Islands and the British Virgin Islands at any time within six months of the perfection of the pledge or, under some circumstances, within a longer period. Pledges of capital stock of future Subsidiary Guarantors may also be voidable as a preference under relevant insolvency or fraudulent transfer or similar laws. In addition, the pledge of certain Collateral may be voided based on the analysis set forth under the section entitled "— Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral — The Subsidiary Guarantees or JV Subsidiary Guarantees may be challenged under applicable insolvency or fraudulent transfer laws, which could impair the enforceability of the Subsidiary Guarantees or JV Subsidiary Guarantees" above.

If the pledges of the Collateral were to be voided for any reason, holders of the Notes would have only an unsecured claim against us and the Subsidiary Guarantor Pledgors.

***The value of the Collateral is unlikely to be sufficient to satisfy our obligations under the Notes, the Existing Pari Passu Secured Indebtedness and other Permitted Pari Passu Secured Indebtedness***

The Collateral will consist only of the capital stock of the initial Subsidiary Guarantors and may in the future include our proportional interest in the JV Subsidiary Guarantors (if any). The security interest in respect of certain Collateral may be released upon the disposition of such Collateral and any proceeds from such disposition may be applied, prior to repaying any amounts due under the Notes, to repay other debt or to make investments in properties and assets that will not be pledged as additional Collateral.

The ability of the Collateral Agent or the Trustee, on behalf of the holders of the Notes, to foreclose on the Collateral upon the occurrence of an Event of Default or otherwise will be subject in certain instances to perfection and priority status. Although procedures will be undertaken to support the validity and enforceability of the security interests, we cannot assure you that the Collateral Agent or the Trustee or holders of the Notes will be able to enforce the security interest.

The value of the Collateral in the event of liquidation will depend upon market and economic conditions, the availability of buyers and similar factors. No independent appraisals of any of the Collateral have been prepared by or on behalf of us in connection with this offering of the Notes. Accordingly, we cannot assure you that the proceeds of any sale of the Collateral following an acceleration of the Notes would be sufficient to satisfy, or would not be substantially less than, amounts due and payable on the Notes. By its nature, the Collateral, which consists solely of the capital stock of any existing or future Subsidiary Guarantor, is likely to be illiquid and is unlikely to have a readily ascertainable market value. Likewise, we cannot assure you that the Collateral will be saleable or, if saleable, that there will not be substantial delays in its liquidation.

The Collateral will be shared on a *pari passu* basis by the holders of the Notes, the holders of the Existing Pari Passu Secured Indebtedness and may be shared on a *pari passu* basis with holders of other Permitted Pari Passu Secured Indebtedness that we may issue in the future. Accordingly, in the event of a default on the Notes or on other Permitted Pari Passu Secured Indebtedness and a foreclosure on the Collateral, any foreclosure proceeds would be shared by the holders of other Permitted Pari Passu Secured Indebtedness in proportion to the outstanding amounts of each class of such Permitted Pari Passu Secured Indebtedness pursuant to the Intercreditor Agreement. The value of the Collateral securing the Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors is unlikely to be sufficient to satisfy the obligations of the Company and each of the Subsidiary Guarantor Pledgors under the Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors, and the Collateral securing the Notes and such Subsidiary Guarantees may be reduced or diluted under certain circumstances, including the issuance of Additional Notes or other Permitted Pari Passu Secured Indebtedness and the disposition of assets comprising the Collateral, subject to the terms of the Indentures.

***The Intercreditor Agreement may impact the ability of the Company and the Subsidiary Guarantors to pay amounts due under the Notes and the Subsidiary Guarantees and the Intercreditor Agreement may limit the rights of holders of the Notes to the Collateral***

The Collateral Agent (as defined under "Description of the Notes — Definitions") is required to take action to enforce the Collateral in accordance with the instructions of the holders of the Notes, the holders of the Existing Pari Passu Secured Indebtedness and holders (or representatives or agents) of other Permitted Pari Passu Secured Indebtedness (as defined under "Description of the Notes — Definitions"), given under and in accordance with the Intercreditor Agreement. Any enforcement action taken by the Collateral Agent will adversely affect the Company's entitlement to receive distributions from the Collateral, which will, in turn, have an adverse impact on the Company's ability to fulfill its payment obligations under the Notes. Further, the Subsidiary Guarantors' ability to pay under the Subsidiary Guarantees will be adversely affected. The ability of holders of the Notes to enforce the Collateral is restricted under the Intercreditor Agreement, as only the Collateral Agent is permitted to take enforcement actions. If an event of default occurs under the Notes, the holders of the Notes holding 25% of the outstanding amount of the Notes and holders, creditors or representatives of the Existing Pari Passu Secured Indebtedness and other Permitted Pari Passu Secured Indebtedness may decide whether to take any enforcement action and may thereafter, through their respective trustee, representative or agent, in accordance with the Intercreditor Agreement, instruct the Collateral Agent to take enforcement action against the Collateral. By virtue of the instructions given to the Collateral Agent described above, actions may be taken in respect of the Collateral that may be adverse to holders of the Notes. In such event, the only remedy available to holders of the Notes would be to sue for payment under the Notes and the Subsidiary Guarantees.

The Collateral Agent, acting in its capacity as such, shall have such duties with respect to the Collateral pledged, assigned or granted pursuant to the Security Documents as set forth in the Intercreditor Agreement. Under certain circumstances, the Collateral Agent may have obligations under the Security Documents or the Intercreditor Agreement that are in conflict with the holders of the Notes. The Collateral Agent will not be under any obligation to exercise any rights or powers conferred under the Intercreditor Agreement or any of the Security Documents for the benefit of the holders of the Notes or the Existing Pari Passu Secured Indebtedness unless such holders have offered to the Collateral Agent indemnity and/or security satisfactory to the Collateral Agent against any loss, liability or expense.

## USE OF PROCEEDS

We estimate that the gross proceeds from this offering, before deducting the selling discounts and commissions in connection with this offering and excluding accrued interest, will be US$554.2 million. We intend to use the net proceeds for refinancing our mid-term and long-term offshore indebtedness which will become due and payable within a year.

Pending application of the net proceeds of this offering, we intend to invest the net proceeds in Temporary Cash Investments (as defined under "Description of the Notes — Definitions").

# EXCHANGE RATE INFORMATION

## PRC

The PBOC sets and publishes daily a base exchange rate with reference primarily to the supply and demand of Renminbi against a basket of currencies in the market during the prior day. PBOC also takes into account other factors, such as the general conditions existing in the international foreign exchange markets. From 1994 to July 20, 2005, the conversion of Renminbi into foreign currencies, including Hong Kong dollars and U.S. dollars, was based on rates set daily by PBOC on the basis of the previous day's inter-bank foreign exchange market rates and then current exchange rates in the world financial markets. During this period, the official exchange rate for the conversion of Renminbi to U.S. dollars remained generally stable. Although the PRC government introduced policies in 1996 to reduce restrictions on the convertibility of Renminbi into foreign currencies for current account items, conversion of Renminbi into foreign currencies for capital items, such as foreign direct investment, loan principals and securities trading, still requires the approval of SAFE and other relevant authorities. On July 21, 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the value of the Renminbi appreciated by approximately 2% against the U.S. dollar. The PRC government has since made and in the future may make further adjustments to the exchange rate system.

On May 18, 2007, PBOC enlarged the floating band for the trading prices in the inter-bank foreign exchange market of the Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate, effective on May 21, 2007. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by PBOC. The floating band was further widened to 1.0% on April 16, 2012 and 2.0% on March 17, 2014. The PBOC announces the closing price of a foreign currency traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each working day, and makes it the central parity for trading against the Renminbi on the following working day. Effective since August 11, 2015, market makers are required to quote their central parity rates for Renminbi against U.S. dollar to the China Foreign Exchange Trade System daily before the market opens by reference to the closing rate of the PRC inter-bank foreign exchange market on the previous trading day in conjunction with the demand and supply conditions in the foreign exchange markets and exchange rate movements of major currencies. PBOC has further authorized the China Foreign Exchange Trade System to announce its central parity rate for Renminbi against the U.S. dollar through a weighted averaging of the quotes from the market makers after removing the highest quote and the lowest quote. PBOC announces the closing price of a foreign currency traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each working day, and makes it the central parity for trading against the Renminbi on the following working day. The PRC government may adopt further reforms of its exchange rate system, including but not limited to making the Renminbi freely convertible in the future.

The following table sets forth the noon buying rate in Renminbi as set forth in the H.10 statistical release of the Federal Reserve Bank of New York for the periods indicated:

| | Noon buying rate | | | |
|---|---|---|---|---|
| **Period** | **Period end** | **Average[1]** | **High** | **Low** |
| | (RMB per US$1.00) | | | |
| 2016 | 6.9430 | 6.6549 | 6.9580 | 6.9430 |
| 2017 | 6.5063 | 6.7530 | 6.9575 | 6.4773 |
| 2018 | 6.8755 | 6.6292 | 6.9737 | 6.2649 |
| 2019 | 6.9618 | 6.9014 | 7.1786 | 6.6822 |
| 2020 | | | | |
| August | 6.8647 | 6.9310 | 6.9799 | 6.8647 |
| September | 6.7896 | 6.8106 | 6.8474 | 6.7529 |
| October | 6.6919 | 6.7254 | 6.7898 | 6.6503 |
| November | 6.5750 | 6.6044 | 6.6899 | 6.5556 |
| December | 6.5250 | 6.5393 | 6.5705 | 6.5208 |
| 2021 | | | | |
| January | 6.4282 | 6.4672 | 6.4822 | 6.4282 |
| February (through February 5, 2021) | 6.4664 | 6.4646 | 6.4715 | 6.4570 |

*Source: Federal Reserve H.10 Statistical Release*

(1) Determined by averaging the rates on the last business day of each month during the relevant year, except for monthly average rates, which are determined by averaging the daily rates during the respective months.

**Hong Kong**

The Hong Kong dollar is freely convertible into other currencies, including the U.S. dollar. Since October 17, 1983, the Hong Kong dollar has been pegged to the U.S. dollar at the rate of HK$7.80 to US$1.00. The central element in the arrangements which gave effect to the peg is that, by agreement between the Hong Kong Special Administrative Region government and the three Hong Kong banknote issuing banks (i.e., The Hongkong and Shanghai Banking Corporation Limited, Standard Chartered Bank and the Bank of China), certificates of indebtedness, which are issued by the Hong Kong Government Exchange Fund to the banknote issuing banks to be held as cover for their banknote issues, are issued and redeemed only against payment in U.S. dollars at the fixed exchange rate of HK$7.80 to US$1.00. When the banknotes are withdrawn from circulation, the banknote issuing banks surrender the certificates of indebtedness to the Hong Kong Government Exchange Fund and are paid the equivalent U.S. dollars at the fixed rate.

The market exchange rate of the Hong Kong dollar against the U.S. dollar continues to be determined by the forces of supply and demand in the foreign exchange market. However, against the background of the fixed rate which applies to the issue of the Hong Kong currency in the form of banknotes, as described above, the market exchange rate has not deviated materially from the level of HK$7.80 to US$1.00 since the peg was first established. However, in May 2005, the Hong Kong Monetary Authority broadened the 22-year old trading band from the original rate of HK$7.80 per U.S. dollar to a rate range of HK$7.75 to HK$7.85 per U.S. dollar. The Hong Kong Special Administrative Region government has stated its intention to maintain the link at that rate and it, acting through the Hong Kong Monetary Authority, has a number of means by which it may act to maintain exchange rate stability. Under the Basic Law, the Hong Kong dollar will continue to circulate and remain freely convertible. The Hong Kong Special Administrative Region government has also stated that it has no intention of imposing exchange controls in Hong Kong and that the Hong Kong dollar will remain freely convertible into other currencies, including the U.S. dollar. However, no assurance can be given that the Hong Kong Special Administrative Region government will maintain the link at HK$7.75 to HK$7.85 per U.S. dollar, or at all.

The following table sets forth the exchange rate as set forth in the H.10 statistical release of the Federal Reserve Board of New York for the periods indicated:

| | Noon buying rate | | | |
|---|---|---|---|---|
| **Period** | **Period end** | **Average[1]** | **High** | **Low** |
| | (HK per US$1.00) | | | |
| 2016 | 7.7534 | 7.7618 | 7.8270 | 7.7505 |
| 2017 | 7.8128 | 7.7950 | 7.8267 | 7.7540 |
| 2018 | 7.8305 | 7.8376 | 7.8499 | 7.8043 |
| 2019 | 7.7894 | 7.8335 | 7.8499 | 7.7850 |
| 2020 | | | | |
| August | 7.7502 | 7.7502 | 7.7506 | 7.7498 |
| September | 7.7500 | 7.7500 | 7.7504 | 7.7499 |
| October | 7.7548 | 7.7503 | 7.7548 | 7.7498 |
| November | 7.7508 | 7.7526 | 7.7552 | 7.7505 |
| December | 7.7534 | 7.7519 | 7.7539 | 7.7505 |
| 2021 | | | | |
| January | 7.7531 | 7.7533 | 7.7555 | 7.7517 |
| February (through February 5, 2021) | 7.7524 | 7.7521 | 7.7527 | 7.7515 |

*Source: Federal Reserve H.10 Statistical Release*

(1) Determined by averaging the rates on the last business day of each month during the relevant year, except for monthly average rates, which are determined by averaging the daily rates during the respective months.

## CAPITALIZATION AND INDEBTEDNESS

The table below sets forth our consolidated current borrowings and capitalization as of June 30, 2020:

- on an actual basis; and
- on an adjusted basis to give effect to the issuance of the July 2023 Notes, the original July 2025 Notes issued on July 9, 2020, the original August 2024 Notes issued on August 3, 2020, the Existing 2024 Notes, the January 2026 Notes and the New Notes and receipt of the gross proceeds from this offering, before deducting the selling discounts and commissions relating to this offering payable by us and excluding accrued interest; but without giving effect to the issuance of the additional July 2025 Notes and the additional August 2024 Notes issued on December 1, 2020 as well as the offer to purchase and repayment of the January 2021 Notes and the February 2022 Notes.

You should read this table in conjunction with our consolidated financial statements and the related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this offering memorandum.

| | As of June 30, 2020 | | | |
|---|---|---|---|---|
| | Actual | | As adjusted | |
| | (RMB'000) (unaudited) | (US$'000) (unaudited) | (RMB'000) (unaudited) | (US$'000) (unaudited) |
| **Current borrowings** | | | | |
| Bank and other institution borrowings | 38,461,860 | 5,443,923 | 38,461,860 | 5,443,923 |
| Current portion of non-current borrowings | 102,160,970 | 14,459,947 | 102,160,970 | 14,459,947 |
| **Total current borrowings** | **140,622,830** | **19,903,870** | **140,622,830** | **19,903,870** |
| **Non-current borrowings** | | | | |
| Bank and other institution borrowings | 203,206,555 | 28,762,021 | 203,206,555 | 28,762,021 |
| Senior notes[1] | 48,300,905 | 6,836,549 | 48,300,905 | 6,836,549 |
| Corporate bonds | 15,090,154 | 2,135,873 | 15,090,154 | 2,135,873 |
| Private domestic corporate bonds | 15,273,336 | 2,161,800 | 15,273,336 | 2,161,800 |
| July 2023 Notes, original July 2025 Notes and original August 2024 Notes | — | — | 10,509,929 | 1,487,584 |
| Existing 2024 Notes and January 2026 Notes | — | — | 7,770,254 | 1,099,808 |
| New Notes to be issued | — | — | 3,915,740 | 554,237 |
| | 281,870,950 | 39,896,244 | 304,066,873 | 43,037,872 |
| Less: Current portion of non-current borrowings | (102,160,970) | (14,459,947) | (102,160,970) | (14,459,947) |
| **Total non-current borrowings** | **179,709,980** | **25,436,297** | **201,905,903** | **28,577,925** |
| Equity attributable to owners of the Company | 97,040,286 | 13,735,161 | 97,040,286 | 13,735,161 |
| **Total capitalization[2]** | 276,750,266 | 39,171,458 | 298,946,189 | 42,313,086 |

*Notes:*

(1) Includes the August 2020 Notes, the July 2021 Notes, the August 2022 Notes, the April 2023 Notes, the July 2020 Notes, the January 2021 Notes, the February 2022 Notes, the October 2023 Notes, the June 2022 Notes, the February 2024 Notes and the Existing 2025 Notes.

(2) Total capitalization equals total non-current borrowings plus equity attributable to owners of the Company.

(3) The above table does not include the Group's lease liabilities recognized under HKFRS 16.

As of June 30, 2020, our total cash and cash equivalents (excluding restricted cash of RMB35,626.8 million (US$5,042.6 million) amounted to RMB85,228.6 million (US$12,063.3 million).

As of June 30, 2020, our total outstanding borrowings (including the August 2020 Notes, the July 2021 Notes, the August 2022 Notes, the April 2023 Notes, the July 2020 Notes, the January 2021 Notes, the February 2022 Notes, the October 2023 Notes, the June 2022 Notes, the February 2024 Notes and the Existing 2025 Notes, asset-backed securities, borrowings from other financial institutions, corporate bonds and private domestic corporate bonds) amounted to RMB320,332.8 million (US$45,340.2 million). Subsequent to June 30, 2020, including before and after the completion of this offering, we fully redeemed the January 2021 Notes and the February 2022 Notes, and continue to enter into short-term and long-term borrowings in the ordinary course of business, including senior notes such as July 2023 Notes, the July 2025 Notes, the August 2024 Notes, the Existing 2024 Notes and the January 2026 Notes, construction and project loans, to finance our operations and also for refinancing purposes. We entered into a facility agreement on July 7, 2020 with an aggregate principal amount of up to US$250 million. The facility carries an interest rate of 7.75% per annum with an original tenor of two years subject to extension. See "Description of Other Material Indebtedness" for details.

Except as otherwise disclosed in this offering memorandum, there has been no material change in our capitalization since June 30, 2020.

## SELECTED CONSOLIDATED FINANCIAL DATA

The following selected consolidated financial information as of and for each of the years ended December 31, 2017, 2018 and 2019 (except for EBITDA data) has been derived from our audited consolidated financial statements for and as of the years ended December 31, 2018 and 2019 which have been audited by PricewaterhouseCoopers, our independent auditor, and are included elsewhere in this offering memorandum. The following selected interim condensed consolidated financial information as of and for the six months ended June 30, 2019 and 2020 (except for EBITDA data) has been derived from our unaudited interim condensed consolidated financial information as of and for the six months ended June 30, 2020, which has been reviewed by PricewaterhouseCoopers, our independent auditor, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" and are included elsewhere in this offering memorandum. Results for interim periods are not indicative of the results for the full year. You should read the selected financial data below in conjunction with the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the related notes included elsewhere in this offering memorandum. Historical results are not necessarily indicative of results that may be achieved in any future period. Our consolidated financial statements have been prepared and presented in accordance with HKFRS, which differ in certain respects from generally accepted accounting principles in other jurisdictions.

We adopted the new HKFRS 9 for the year ended December 31, 2018. We adopted the transitional provisions in HKFRS 9 and for the impact on the financial information for the year ended December 31, 2017 and 2018 from the the adoption of the new HKFRS 9, please see the sub-section titled "3. Change in accounting policy" in our audited financial statements for the year of December 31, 2018 as included elsewhere in this offering memorandum for details.

We adopted the new HKFRS 16 retrospectively from January 1, 2019, but has not restated comparatives for the reporting period of 2018 or before, as permitted under the specific transitional provisions in the standard. Please see the sub-section titled "3. Changes in accounting policies" in our audited financial statements for the year of December 31, 2019 as included elsewhere in this offering memorandum for details.

We also elected to early adopt the amendments to HKFRS 3 Definition of a Business which issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The amendments are effective for the financial year beginning on or after January 1, 2020. As permitted by HKFRS 3, this application was prospectively from January 1, 2019 and there was no impact on the amounts recognised in prior periods. Please see the sub-section titled "2.1 Basis of preparation" in our audited financial statements for the year of December 31, 2019 as included elsewhere in this offering memorandum for details.

### Selected Consolidated Income Statement and Other Financial Data

| | Year ended December 31, | | | | Six months ended June 30, | | |
|---|---|---|---|---|---|---|---|
| | 2017 | 2018 | 2019 | | 2019 | 2020 | |
| | (RMB'000) | (RMB'000) | (RMB'000) | (US$'000) (unaudited) | (RMB'000) (unaudited) | (RMB'000) (unaudited) | (US$'000) (unaudited) |
| Revenue | 65,873,515 | 124,745,623 | 169,316,010 | 23,965,126 | 76,837,895 | 77,341,665 | 10,947,002 |
| Cost of sales | (52,245,803) | (93,609,587) | (127,909,685) | (18,104,441) | (57,484,437) | (59,585,858) | (8,433,831) |
| **Gross profit** | 13,627,712 | 31,136,036 | 41,406,325 | 5,860,685 | 19,353,458 | 17,755,807 | 2,513,171 |
| Other income and gains | 27,916,263 | 11,848,091 | 14,187,962 | 2,008,176 | 5,189,148 | 7,308,023 | 1,034,384 |
| Selling and marketing costs | (3,419,436) | (4,360,530) | (6,166,473) | (872,808) | (2,563,053) | (2,615,289) | (370,170) |
| Administrative expenses | (3,535,411) | (7,356,570) | (8,286,551) | (1,172,885) | (4,074,070) | (3,685,860) | (521,700) |
| Other expenses and losses | (10,336,909) | (1,986,111) | (1,222,133) | (172,982) | (1,058,495) | (634,957) | (89,872) |
| Net impairment losses on financial and contract assets | (2,376,177) | (3,485,395) | (1,894,122) | (268,096) | (1,147,332) | (96,047) | (13,595) |

| | Year ended December 31, | | | | Six months ended June 30, | | |
|---|---|---|---|---|---|---|---|
| | 2017 | 2018 | 2019 | | 2019 | 2020 | |
| | (RMB'000) | (RMB'000) | (RMB'000) | (US$'000) (unaudited) | (RMB'000) (unaudited) | (RMB'000) (unaudited) | (US$'000) (unaudited) |
| **Operating profit** | 21,876,042 | 25,795,521 | 38,025,008 | 5,382,091 | 15,699,656 | 18,031,677 | 2,552,218 |
| Finance income | 736,000 | 806,208 | 1,183,244 | 167,477 | 620,088 | 861,111 | 121,882 |
| Finance expenses | (5,259,450) | (2,893,493) | (4,808,250) | (680,564) | (1,233,268) | (2,451,591) | (347,000) |
| Finance expenses — net | (4,523,450) | (2,087,285) | (3,625,006) | (513,086) | (613,180) | (1,590,480) | (225,118) |
| Share of post-tax profits or (losses) of investments accounted for using equity method, net | (1,993,604) | 4,955,994 | 8,146,321 | 1,153,037 | 3,630,399 | 2,414,541 | 341,756 |
| **Profit before income tax** | 15,358,988 | 28,664,230 | 42,546,323 | 6,022,041 | 18,716,875 | 18,855,738 | 2,668,856 |
| Income tax expenses | (3,694,608) | (11,219,229) | (14,390,265) | (2,036,810) | (7,425,766) | (7,154,856) | (1,012,704) |
| **Profit for the year/period** | 11,664,380 | 17,445,001 | 28,156,058 | 3,985,231 | 11,291,109 | 11,700,882 | 1,656,152 |
| **Attributable to:** | | | | | | | |
| Owners of the Company | 11,003,863 | 16,566,535 | 26,027,505 | 3,683,954 | 10,286,306 | 10,959,122 | 1,551,163 |
| Holders of perpetual capital securities | 679,084 | 591,179 | 319,010 | 45,153 | 173,183 | 68,297 | 9,667 |
| Other non-controlling interests | (18,567) | 287,287 | 1,809,543 | 256,124 | 831,620 | 673,463 | 95,323 |
| | 11,664,380 | 17,445,001 | 28,156,058 | 3,985,231 | 11,291,109 | 11,700,882 | 1,656,152 |
| **Other financial data (unaudited):** | | | | | | | |
| EBITDA[1] | 20,949,362 | 42,708,213 | 59,440,157 | 8,413,208 | 26,975,222 | 30,839,766 | 4,365,086 |
| EBITDA margin[2] | 31.8% | 34.2% | 35.1% | 35.1% | 35.1% | 39.9% | 39.9% |

*Notes:*

(1) EBITDA consists of profit for any period before finance costs (including capitalized finance costs under cost of sales), income tax expenses, amortization of intangible assets and share option expenses amortization of right-of-use assets, intangible assets, share option expenses and share award expenses, depreciation, valuation surplus of acquired properties included in cost of sales, dividends from associates/jointly controlled entities, losses on business combinations, losses of disposal of a subsidiary, losses/(gains) from fair value change of investment properties, derivative financial instruments and financial assets, impairment provision of assets, gains on business combinations, gains from disposal of a subsidiary, gains from disposal of associates/jointly controlled entities, gains from acquisitions of joint ventures and associates, share of profits of associates/jointly controlled entities, profit attributable to other non-controlling interests and profits attributable to holders of perpetual capital securities. EBITDA is not a standard measure under HKFRS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of financial performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. In evaluating EBITDA, we believe that investors should consider, among other things, the components of EBITDA such as sales and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. We have included EBITDA because we believe it is a useful supplement to cash flow data as a measure of our performance and our ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be identical to EBITDA measures used by us for other purposes and may not be comparable to similarly titled measures presented by other companies. Investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition. See the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations — Non-GAAP Financial Measures" for a reconciliation of our profit for the year under HKFRS to our definition of EBITDA. Investors should also note that EBITDA as presented herein may be calculated differently from consolidated EBITDA as defined and used in the Indentures. See the section entitled "Description of the Notes — Definitions" for a description of the manner in which Consolidated EBITDA is defined for purposes of the Indentures.

(2) EBITDA margin is calculated by dividing EBITDA by revenue.

**Selected Consolidated Balance Sheet Data**

| | As of December 31, | | | | As of June 30, | |
|---|---|---|---|---|---|---|
| | 2017 | 2018 | 2019 | | 2020 | |
| | (RMB'000) | (RMB'000) | (RMB'000) | (US$'000) (unaudited) | (RMB'000) (unaudited) | (US$'000) (unaudited) |
| **ASSETS** | | | | | | |
| **Non-current assets** | | | | | | |
| Property, plant and equipment | 39,262,620 | 49,224,305 | 70,101,779 | 9,922,263 | 75,233,549 | 10,648,618 |
| Investment properties | 12,821,611 | 16,195,739 | 26,845,510 | 3,799,735 | 28,027,637 | 3,967,055 |
| Right-of-use assets | – | – | 14,918,041 | 2,111,512 | 16,193,830 | 2,292,088 |
| Intangible assets | – | – | 7,667,411 | 1,085,252 | 9,132,708 | 1,292,651 |
| Land use rights and intangible assets | 3,637,131 | 16,020,807 | — | — | — | — |
| Deferred tax assets | 1,913,730 | 2,984,740 | 8,585,312 | 1,215,172 | 10,619,482 | 1,503,090 |
| Investments accounted for using the equity method | 58,613,221 | 65,496,826 | 88,994,292 | 12,596,324 | 80,935,222 | 11,455,637 |
| Financial assets at fair value through profit or loss | — | 9,872,592 | 15,588,783 | 2,206,449 | 18,328,671 | 2,594,255 |
| Receivables | 915,750 | 558,000 | 48,000 | 6,794 | 48,000 | 6,794 |
| Prepayments | 4,950,793 | 2,276,912 | 3,018,098 | 427,184 | 2,641,743 | 373,914 |
| Available-for-sale financial assets | 871,578 | — | — | — | — | — |
| Derivative financial instruments | 14,865 | 125,817 | 31,629 | 4,477 | 78,470 | 11,107 |
| Amounts due from related companies | 500,016 | 666,452 | 170,000 | — | — | — |
| | 123,501,315 | 163,422,190 | 235,968,855 | 33,399,224 | 241,239,312 | 34,145,208 |
| **Current assets** | | | | | | |
| Properties under development | 271,514,992 | 291,913,575 | 426,783,378 | 60,407,266 | 452,501,115 | 64,047,376 |
| Completed properties held for sale | 42,242,613 | 47,336,265 | 55,189,210 | 7,811,526 | 58,823,032 | 8,325,860 |
| Inventories | 10,771 | 14,967 | 490,307 | 69,398 | 669,617 | 94,778 |
| Trade and other receivables | 18,411,699 | 27,392,266 | 47,154,324 | 6,674,261 | 53,012,524 | 7,503,436 |
| Contract assets | 263,936 | 932,328 | 2,059,897 | 291,559 | 2,354,404 | 333,244 |
| Derivative financial instruments | — | 153,507 | — | — | — | — |
| Amounts due from related companies | 60,582,774 | 48,299,169 | 40,688,593 | 5,759,097 | 39,576,533 | 5,601,695 |
| Prepayments | 4,509,791 | 10,414,376 | 14,662,840 | 2,075,390 | 13,952,424 | 1,974,837 |
| Prepaid income tax | 5,345,490 | 6,449,795 | 7,320,149 | 1,036,100 | 8,659,923 | 1,225,733 |
| Restricted cash | 28,285,601 | 44,017,011 | 47,787,028 | 6,763,815 | 35,626,769 | 5,042,642 |
| Cash and cash equivalents | 68,433,256 | 76,181,041 | 77,943,661 | 11,032,209 | 85,228,617 | 12,063,328 |
| Assets classified as held for sale | — | — | 4,401,000 | 622,921 | 4,401,000 | 622,921 |
| Financial assets at fair value through profit or loss | — | 133,500 | 200,000 | 28,308 | 356,118 | 50,405 |
| | 499,600,923 | 553,237,800 | 724,680,387 | 102,571,851 | 755,162,076 | 106,886,254 |
| **Total assets** | 623,102,238 | 716,659,990 | 960,649,242 | 135,971,075 | 996,401,388 | 141,031,463 |
| **Equity** | | | | | | |
| **Equity attributable to owners of the Company** | | | | | | |
| Share capital | 377,608 | 378,421 | 382,339 | 54,117 | 400,494 | 56,686 |
| Other reserves | 16,649,452 | 14,259,603 | 17,510,617 | 2,478,467 | 20,500,378 | 2,901,640 |
| Retained earnings | 26,775,180 | 42,198,205 | 65,180,292 | 9,225,672 | 76,139,414 | 10,776,835 |
| | 43,802,240 | 56,836,229 | 83,073,248 | 11,758,255 | 97,040,286 | 13,735,161 |
| Perpetual capital securities | 9,288,432 | 5,526,772 | 2,789,505 | 394,829 | 788,028 | 111,538 |
| Other non-controlling interests | 7,547,553 | 10,743,568 | 28,231,491 | 3,995,908 | 36,052,033 | 5,102,834 |
| **Total equity** | 60,638,225 | 73,106,569 | 114,094,244 | 16,148,992 | 133,880,347 | 18,949,533 |

| | As of December 31, | | | | As of June 30, | |
|---|---|---|---|---|---|---|
| | 2017 | 2018 | 2019 | | 2020 | |
| | (RMB'000) | (RMB'000) | (RMB'000) | (US$'000) (unaudited) | (RMB'000) (unaudited) | (US$'000) (unaudited) |
| **LIABILITIES** | | | | | | |
| **Non-current liabilities** | | | | | | |
| Borrowings | 140,597,186 | 137,363,520 | 186,542,102 | 26,403,321 | 179,709,980 | 25,436,297 |
| Derivative financial instruments | 167,634 | 79,509 | 14,358 | 2,032 | 87,104 | 12,329 |
| Lease liabilities | — | — | 436,848 | 61,832 | 483,658 | 68,457 |
| Deferred tax liabilities | 34,498,436 | 33,383,440 | 38,534,748 | 5,454,240 | 37,629,097 | 5,326,053 |
| Other payables | 1,492,327 | 1,474,373 | 145,727 | 20,626 | 354,419 | 50,165 |
| | 176,755,583 | 172,300,842 | 225,673,783 | 31,942,051 | 218,264,258 | 30,893,301 |
| **Current liabilities** | | | | | | |
| Trade and other payables | 68,789,140 | 92,786,353 | 147,133,931 | 20,825,456 | 162,628,153 | 23,018,521 |
| Contract liabilities | 131,190,587 | 199,378,610 | 240,818,329 | 34,085,622 | 243,379,571 | 34,448,142 |
| Amounts due to related companies | 91,947,252 | 62,663,166 | 58,933,995 | 8,341,566 | 58,049,815 | 8,216,418 |
| Current tax liabilities | 14,411,985 | 23,753,921 | 37,323,267 | 5,282,766 | 39,094,127 | 5,533,415 |
| Borrowings | 78,672,660 | 92,045,543 | 135,732,857 | 19,211,739 | 140,622,830 | 19,903,870 |
| Lease liabilities | — | — | 176,499 | 24,982 | 216,303 | 30,616 |
| Derivative financial instruments | 53,839 | 14,017 | — | — | — | — |
| Provisions | 642,967 | 610,969 | 762,337 | 107,902 | 265,984 | 37,648 |
| | 385,708,430 | 471,252,579 | 620,881,215 | 87,880,032 | 644,256,783 | 91,188,629 |
| **Total liabilities** | 562,464,013 | 643,553,421 | 846,554,998 | 119,822,083 | 862,521,041 | 122,081,930 |
| **Total equity and liabilities** | 623,102,238 | 716,659,990 | 960,649,242 | 135,971,075 | 996,401,388 | 141,031,463 |

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*You should read the following discussion of our financial condition and results of operations in conjunction with "Selected Consolidated Financial Data" and our consolidated financial statements and the related notes included elsewhere in this offering memorandum. Our consolidated financial statements have been prepared and presented in accordance with HKFRS, which differ in certain respects from generally accepted accounting principles in other jurisdictions. The following discussion contains forward-looking statements that involve risks and uncertainties. Our future results could differ materially from those discussed in such forward-looking statements as a result of various factors, including those set forth under "Risk Factors" and elsewhere in this offering memorandum.*

**Overview**

We are an integrated residential and commercial property developer with a focus on high-end and high-quality property developments in selected cities in China. Since we commenced operations in Tianjin in 2003, we have successfully established a strong market position in Tianjin and have been active in expanding our business through our subsidiaries and associates to the other target cities. As of June 30, 2020, we operate in seven strategically selected regions which we believe have significant potential for economic growth, namely, the northern China region, the Shanghai region, the Beijing region, the southwestern China region, the southeastern China region, the central China region and the southern China region. In recent years, we have won many awards for our significant achievements in the property sector nationwide or region-wide, including:

- In 2019, we were recognized as one of the top 10 real estate developers in China (2019年中國房地產開發企業10強);
- In 2019, we were ranked the first in terms of "Chinese Real Estate Company's Product Power" for 2019 (2019年中國房企產品力第一名);
- In 2019, we were recognized as one of the "Best Chinese Real Estate Companies to Work For in 2019" (2019年中國房地產最佳僱主企業);
- In 2019, we were recognized as the "Property Management Company in China with Leading Brand for Quality Service" (2019年中國物業品質服務領先品牌企業);
- In 2019, we were recognized as one of the "Best Chinese Real Estate Company to Work For in 2018" (2018中國房地產最佳僱主企業);
- In 2019, we were recognized as a "Leading Company in Chinese Real Estate Branding of 2018" (中國房地產行業領導公司品牌);
- In 2018, we were recognized as one of the "2018 China Blue Chip Real Estate Developers" (2018年度中國藍籌地產企業);
- In 2018, we ranked the fifth among the top 10 real estate developers in China (2018中國房地產開發企業十強第五名);
- In 2018, we ranked the fourth among the top 10 real estate developers of comprehensive development in China (2018中國房地產開發企業綜合發展十強第四名);
- In 2018, we ranked the fifth among the top 10 real estate developers of comprehensive strength in China (2018中國房地產開發企業綜合實力十強第五名);
- In 2018, we ranked as one of the top 10 real estate developers of development in China (2018中國房地產百強企業成長TOP10);
- In 2017, we ranked the third among the top 10 brand value of real estate developers in China (2017中國房地產公司品牌價值TOP10 — 第三名);
- In 2017, we ranked as one of the top 10 real estate developers of comprehensive strength in China (2017中國房地產開發企業綜合實力十強);
- In 2017, we received the Best Contribution to the Society (企業社會責任最佳貢獻獎);

- In 2017, we ranked the most influential real estate companies in China (中國年度影響力地產企業);

- In 2016, we ranked seventh among the top 10 real estate developers of comprehensive strength in China (中國房地產開發企業綜合實力10強第7名);

- In 2016, we ranked among the most influential real estate companies in China (中國最具影響力地產企業);

- In 2016, we ranked among the top 10 brand value of real estate developers in China (中國房地產品牌價值top 10);

- In 2016, our Beijing One Central (北京使館一號院) ranked among the luxury real estates showcase works in Beijing (北京豪宅示範作品);

- In 2016, our Suzhou One Park (蘇州一號院) ranked among the top 10 luxury real estates in Asia (亞洲十大豪宅);

- In 2016, our Beijing Glory Chateau (北京紫禁一號院) received the Jinding Prize for luxury real estates (豪宅金鼎獎);

- In 2016, our Hefei One Central (合肥一號院) ranked among the top 10 brand value of the high-profile real estate projects in China (中國房地產高端項目品牌價值top 10);

- In 2015, we were named as one of the real estates companies which are institutional investors' first choices in China (中國機構投資者首選房企);

- In 2015, we ranked among the top 10 real estate developers of comprehensive development in China (中國房地產開發企業綜合發展10強);

- In 2015, our Chongqing Hastin Avenue (重慶白象街) ranked among the commercial properties with the best urban value (中國最佳城市價值商業樓盤);

- In 2015, our Chongqing Rose Garden (重慶玫瑰園) received Jinshi Prize for the best construction in China under the category of excellent planning and designing (中華建築金石獎 — 卓越規劃設計類); and

- In 2015 and 2016, we were ranked among the best employers among the real estate companies in China (中國房地產最佳僱主企業).

We focus on the development of integrated residential and commercial properties. We develop a variety of residential properties for sale, including high-rise apartments, mid-rise apartments, townhouses and detached villas. We also develop various commercial properties primarily for sale as well as for lease, including retail stores, offices and serviced apartments. Many of our residential projects are large in scale, featuring a combination of residential properties integrated with value-added ancillary facilities such as clubhouses, retail stores, parking spaces and schools. Our commercial properties are typically large-scale commercial complexes combining retail space, offices, parking facilities and, in some cases, serviced apartments. We focus on delivering high-quality products and services to medium to high-income customers. In 2017, 2018 and 2019 and the six months ended June 30, 2020, we generated substantially all of our revenue from sales of residential and commercial properties.

Through our subsidiaries and associates, we had engaged in a total of 749 property development projects as of June 30, 2020, which comprised completed properties, properties under development and properties held for future development with a total site area of approximately 140.0 million sq.m. and a total aggregate GFA of approximately 247.8 million sq.m., of which our attributable GFA in these properties amounted to 158.1 million sq.m.

In 2017, 2018 and 2019 and for the six months ended June 30, 2019 and 2020, our revenue was RMB65,873.5 million, RMB124,745.6 million, RMB169,316.0 million (US$23,965.1 million), RMB76,837.9 million and RMB77,341.7 million (US$10,947.0 million), respectively, and our profit attributable to owners of the Company was RMB11,003.9 million, RMB16,566.5 million, RMB26,027.5 million (US$3,684.0 million), RMB10,286.3 million and RMB10,959.1 million (US$1,551.2 million), respectively.

**Significant Factors Affecting Our Results of Operations**

Our business, financial condition and results of operations are affected by a number of factors, many of which are beyond our control, including those set forth below.

***Economic growth, urbanization and demand for real estate properties in China, particularly in the regions we operate in***

Economic growth, urbanization and increasing purchasing power have been the main forces driving the increasing market demand for residential properties in China. At the current stage of China's economic development, while the property industry in China is regarded by the PRC government as one of China's key industries, it significantly depends on China's overall economic growth, including the increase in the purchasing power of Chinese consumers and the resulting demand for residential properties in China. We, through our subsidiaries and associates, focus on developing high-end properties in China. We believe that private sector developments and urbanization in China, particularly in the regions we operate in, are especially important to our operations. These factors are expected to continue to have a significant impact on the number of potential property buyers and the pricing and profitability of residential properties, which directly affect our results of operations.

***Regulatory measures for the property sector in China***

PRC government policies and measures regarding property development and related industries have a direct impact on our business and results of operations. From time to time, the PRC government adjusts its macro-economic and taxation policies to promote or slow down the development of the property sector. For example, between 2008 and 2009, the PRC government implemented a series of economic and other measures designed to combat the adverse impact of the global financial crisis and stimulate the growth of the property market. Since the fourth quarter of 2009, in response to concerns about the overheating of the property market, the PRC government has adopted, and will likely continue to adopt, a series of measures to, among other things, slow the escalation of property prices and curb speculation in the property market. In addition, we are also highly susceptible to regulations or measures that may be adopted by the PBOC restricting bank lending to enterprises, particularly to property developers. PRC regulatory measures affecting the property sector will continue to impact our business and results of operations. For more information, see "Risk Factors — Risks Relating to Property Development in the PRC — The PRC government has adopted measures to slow down the property development sector's rate of growth and may continue to do so in the future."

***Ability to maintain a high-quality land bank at a reasonable cost***

Our continuing growth will depend significantly on our ability to maintain a high-quality land bank at a reasonable cost. We expect that competition among developers for land reserves that are suitable for property development will intensify, which will consequently drive up land acquisition costs. Certain regulatory requirements by the PRC government, including, for example, regulations that require government authorities to grant state-owned land use rights for residential or commercial property development through competitive bidding processes, may also significantly affect the ability of property developers, including us, to acquire land and therefore affect our land acquisition costs. For more information, see "Risk Factors — Risks Relating to Our Business — We may not be able to obtain sites that are suitable for property developments at commercially suitable prices or at all" and "Risk Factors — Risks Relating to Our Business — We may not be able to obtain the land use right certificates for certain land parcels held for future development and may be subject to stricter payment terms for land use rights with respect to land we acquire in the future as a result of any additional restrictive regulations promulgated by the PRC."

***Location and product mix***

The location of our projects and the type of properties sold are important factors affecting our financial condition and results of operations. We generally believe that, for the same property product, properties developed in Beijing, Tianjin, Shanghai, Shenzhen, Hangzhou, Nanjing and Suzhou generate higher revenue and gross profit margins than those in other cities we operate in, primarily because of their higher prices per sq.m. in line with higher market prices in Beijing, Tianjin, Shanghai, Shenzhen, Hangzhou, Nanjing and Suzhou.

Among the types of residential properties we sell, detached villas and townhouses usually yield higher gross profit margins than high-rise and mid-rise apartments, as the former property types typically command higher sale prices per sq.m. In addition, commercial properties generally yield higher profit margins than residential complexes. As a result, the PRC government's restrictions on the size and type of properties developed by property developers may affect our results of operations.

As such, our results of operations and sources of cash from operations may vary significantly from period to period, depending on, among other things, the location of the projects we have completed or sold and the type of products completed or sold in the period.

***Timing and length of property development***

Our results of operations tend to fluctuate from period to period. The number of property developments that a developer can undertake during any particular period is limited by the substantial amount of capital required to fund land acquisitions and to pay construction costs, as well as by the supply of land and other factors. It may take many months, or sometimes years, before any pre-sale in a property development. According to our accounting policy for revenue recognition, although the pre-sale of a property generates positive cash flow for us in the period in which it is made, no revenue is recognized in respect of the sale of a property until its development has been completed and the property has been delivered to the buyer. As construction timetables vary, our revenue in any specified period depends in part on the number of properties completed and delivered in that period.

In addition, as we focus on the development of integrated residential and commercial properties, we typically develop properties in multiple phases over the course of several years. Generally, the selling prices of properties in such larger-scale developments tend to increase as the overall development approaches completion, when we are able to offer a more established residential community to our purchasers. Because the length of time it takes to complete our projects varies depending on a variety of factors, such as the GFA of the project and the type of property constructed, and because the time of year that our projects are completed also varies, our results of operations may fluctuate significantly from period to period.

***Pre-sales***

Pre-sales constitute the most important source of our operating cash inflow during our project development process. PRC law allows us to pre-sell properties before their completion upon satisfaction of certain conditions and requires us to use the pre-sale proceeds to develop the properties that have been pre-sold. See "Business — Project Development — Sales and Marketing — Pre-sale" for more information. The amount and timing of cash inflow from pre-sales are affected by a number of factors, including satisfaction of government regulations on the timing and other conditions relating to pre-sales, our construction and pre-sale schedules, and market demand for our properties available for pre-sale. The amount of cash inflow generated from pre-sales of properties affects our need for external financing and our financing expenses, which could in turn impact our ability to finance our continuing property developments as well as our financial condition and results of operations.

***Access to capital and cost of financing***

Property development requires substantial capital investment for land acquisition and construction, and it may take many months or years before positive cash flows can be generated from a project. Historically, we have financed our operations by relying primarily on project loans and other financing facilities from PRC banks and trust companies, internally generated cash flows (including proceeds from the pre-sale and sale of properties), and proceeds from equity and debt issuance in the international and domestic capital markets. We intend to continue to rely on some or all of these sources of funding in the future and may also obtain loans and other financing facilities from offshore banks and raise further capital by issuing additional debt securities. As of December 31, 2017, 2018 and 2019 and June 30, 2020, our total borrowings (including the Existing Notes, the corporate bonds and the private domestic corporate bonds) amounted to RMB219,269.8 million, RMB229,409.1 million, RMB322,275.0 million (US$45,615.1 million) and RMB320,332.8 million (US$45,340.2 million), respectively. Our access to capital and cost of financing are affected by restrictions imposed from time to time by the PRC government on bank lending for property development.

A substantial portion of our borrowings are onshore loans from commercial banks in the PRC, the interest rates of which are linked to the benchmark lending rates published by the PBOC. The PBOC from time to time adjusts the benchmark lending rates. Any change in the interest rate on our bank borrowings, including as a result of an interest rate adjustment by the PBOC, will affect our interest payments and finance costs and therefore affect our cash flow, financial condition and results of operations.

For more information, see "Risk Factors — Risks Relating to Our Business — We maintain a high level of indebtedness to finance our capital intensive business, and we may not have adequate cash flow to fund our operations or to service our financing obligations."

***Price volatility of construction materials***

A principal component of our cost of sales is construction costs, and historically, construction materials costs have been the primary driver of our construction costs. As such, our results of operations are affected by the price volatility of construction materials. A significant portion of the construction materials we use for our property development is procured by our construction contractors, which typically bear the risk of fluctuations in construction material prices during the term of the relevant contracts. However, we are exposed to the price volatility of construction materials to the extent that we enter into or renew our construction contracts from time to time and are not able to pass on any increased costs to our customers. Further, we typically pre-sell our properties prior to their completion and we may be unable to pass on the increased costs to our customers if construction costs increase subsequent to the pre-sale.

***LAT***

Our property developments are subject to LAT with respect to the appreciated value of the related land and improvements on such land. LAT applies to both domestic and foreign investors in real property in the PRC and is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, calculated as the proceeds of sales of properties less certain deductible items. We make LAT provisions based on our estimates of the full amount of applicable LAT payable in accordance with the requirements set forth in relevant PRC tax laws and regulations. Pursuant to relevant laws and regulations, we prepaid an amount of LAT equal to 2.0% to 5.0% for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020 of the proceeds from pre-sales of properties, depending on the cities in which we operate. We therefore only prepay a portion of our total LAT provisions each year as required by the local tax authorities. If the relevant tax authorities disagree with the basis on which we have calculated our LAT liabilities for provision purposes, or determine that such provisions are insufficient to cover all LAT obligations that tax authorities may ultimately impose on us, our LAT liabilities as calculated by the relevant tax authorities may become substantially higher than our provisions, which could significantly affect our cash flow, financial position and results of operations.

## Critical Accounting Policies

The discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements as of and for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020 which have been prepared in accordance with HKFRS. Our reported financial condition and results of operations are sensitive to accounting methods and assumptions and estimates that underlie the preparation of our consolidated financial statements. We continually evaluate our estimates and assumptions and base them on historical experience and on various other factors that our directors believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results typically differ from these estimates. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities mainly include those related to property development activities.

The selection of critical accounting policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing our consolidated financial statements. Our directors believe the following critical accounting policies are among those that involve the most significant judgments and estimates used in the preparation of our consolidated financial statements.

### *Revenue recognition*

We adopted the new HKFRS 15 in 2017. Prior to the adoption, we recognized revenue from the sale of a property as revenue only upon the delivery of the property. After the adoption, for properties that have no alternative use to us as provided under contracts and for which we have an enforceable right to payment from the customers for performance completed to date, we recognized revenue as our performance obligations are satisfied over time in accordance with the input method for measuring progress. Otherwise, we recognized revenue at a point in time when buyer obtains control of the completed property. Deposits and installments received on properties sold prior to the date of revenue recognition are included in our consolidated balance sheets as contract liabilities under "current liabilities."

Property management service income is recognized when the property management services have been performed, the total amount of revenue and costs arising from such services can be estimated reliably, and the realization of the associated economic benefits is probable.

Rental income generated from leasing of investment properties is recognized on a straight-line basis over the lease term.

Hotel revenue from room rentals, food and beverage sales and other ancillary services are recognized when the services are rendered.

With regard to theme park operations, revenues from advance theme park ticket sales are recognized when the tickets are used. Revenues from annual pass sales are recognized ratably over the period for which the pass is available for use.

Revenue from fitting and decoration services is recognized in the accounting period in which the services are rendered.

### *Cost of sales*

Cost of sales of our properties for a given period is recognized to the extent that revenue from such properties has been recognized in such period. Prior to the completion and delivery of our properties, such costs incurred are recorded in our consolidated balance sheets as "properties under development" under "current assets."

Cost of sales include construction costs, costs relating to the acquisition of land use rights, business tax and related surcharges, capitalized finance costs and other business costs, all of which are based upon the total saleable GFA of properties expected to be sold in each project which are allocated to each property based on the estimated relative saleable GFA of each property. We make such estimates based on information available at the time of completion of the relevant sales contracts, including the development plan and budget for the project. If there is any change to the estimated total development cost subsequent to the initial sales of a project, for example, due to fluctuations in construction costs or changes in development plans, we would typically finalize the cost with the contractor and allocate the increased or decreased cost to all properties in the project, including those that have been sold and delivered in prior periods, which would be expected to increase or decrease the unit costs of, and erode or improve the margins realizable on, the properties of the project during the period in which such change occurs.

***Land use rights***

All land in the PRC is state-owned and no individual land ownership right exists. We acquired the rights to use certain land and the land grant fees and other fees that we paid for such rights are recorded as land use rights. Land use rights which are held for development for sales are inventories and measured at the lower of cost and net realizable value. The land use rights of an entire project are transferred to properties under development upon the commencement of construction of any part of the project.

***Properties under development***

Properties under development are stated at the lower of cost and net realizable value on our consolidated balance sheet. Net realizable value takes into account the price ultimately expected to be realized, less applicable variable selling expenses and anticipated cost to completion. Development cost of properties comprises land use rights costs, construction costs, and capitalized finance costs incurred during the development period. On completion, the properties are transferred to completed properties held for sale on our consolidated balance sheet.

***Completed properties held for sale***

Completed properties remaining unsold at the end of each balance sheet date are stated on our consolidated balance sheet at the lower of cost and net realizable value. Cost comprises development costs attributable to the unsold properties. Net realizable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates of the estimated selling prices based on prevailing marketing conditions.

***Lease liabilities***

We have adopted HKFRS 16 retrospectively from January 1, 2019, but has not restated comparatives for 2018, as permitted under the specific transitional provisions in the standard. On adoption of HKFRS 16, we recognized lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019.

***Borrowings and borrowing costs***

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless there is an unconditional right to defer settlement of the liability for at least 12 months after the respective balance sheet date. Borrowing costs incurred for the construction of any qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are recognized as an expense in the period in which they are incurred. Borrowing is derecognized when, and only when, the obligation specified in the control is discharged or cancelled or expires.

### *Deferred income tax*

Deferred income tax is provided on our consolidated balance sheet in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in our consolidated financial statements. Deferred income tax is determined using the tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred income tax assets are recognized to the extent that management believes it is probable that future taxable profit will be available against which the temporary differences can be utilized. Significant management estimation is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits, together with future tax planning strategies.

## Our Business Diversification Plans

We have taken significant initiatives to diversify our business with a view to establishing alternative income sources and expanding property portfolio. In June 2017, we completed the acquisition of Leshi Internet, Le Vision Pictures and Lerong Zhixin. In July 2017, we entered into equity transfer agreement to acquire a 91% equity interest in 14 cultural and tourism project companies from Dalian Wanda Commercial Properties. For more information, see "Business — Business Strategies — Strategically and selectively diversify our business with a focus on property development" and "Business — Recent Developments." We may continue to make acquisitions or investments as part of our diversification strategy. Our diversification in general will require a significant amount of capital investment and management attention, and we may experience risks and uncertainties in new industries that we do not have significant experience in, which may result in higher leverage and materially and adversely affect our liquidity and other financial condition. See "Risk Factors — Risks Relating to Our Business — We may undertake mergers, acquisitions or investments to expand our business that may pose risks to our business or subject us to unknown or contingent liabilities, and we may not realize the anticipated benefits of these mergers, acquisitions or investments" and "Risk Factors — Risks Relating to Our Business — We have started expanding our operations into other industries, and such expansion may not be successful."

## Description of Certain Income Statement Items

### *Revenue*

Revenue represents our income from sales of properties, property management service income and rental income from the leasing of investment properties. As income from sales of properties constitutes substantially all of our revenue, our results of operations for a given period depend upon the type and GFA of properties we have completed and delivered during that period, the market demand for those properties and the price we obtained from the pre-sale or sale of the properties. Conditions in the property markets in which our subsidiaries and associates operate change from period to period and are affected significantly by the general economic, political and regulatory developments in the PRC, particularly in Beijing, Tianjin, Shanghai, Wuxi, Suzhou, Chongqing, Shenzhen, Guangzhou and Wuhan. In 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020, we recognized revenue from the sale of properties segment in the amount of RMB62,569.2 million, RMB117,714.3 million, RMB159,470.5 million (US$22,571.6 million), RMB73,416.8 million and RMB73,073.8 million (US$10,342.9 million), respectively, in connection with the delivery of a total GFA attributable to us of approximately 4.9 million sq.m., 9.5 million sq.m., 12.0 million sq.m., 5.4 million sq.m. and 4.9 million sq.m., respectively.

The following table sets forth a breakdown of our revenue for the periods indicated:

| | Year Ended December 31, | | | | | | | Six months Ended June 30, | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2017 | | 2018 | | 2019 | | | 2019 | | 2020 | | |
| | (RMB'000) | (%) | (RMB'000) | (%) | (RMB'000) | (US$'000) (unaudited) | (%) | (RMB'000) (unaudited) | (%) | (RMB'000) (unaudited) | (US$'000) (unaudited) | (%) |
| Property development[1] .. | 62,569,237 | 95.0 | 117,714,286 | 94.4 | 159,470,451 | 22,571,577 | 94.2 | 73,416,826 | 95.5 | 73,073,754 | 10,342,919 | 94.5 |
| Cultural and tourism city operation income[2] ..... | 1,085,948 | 1.6 | 2,027,898 | 1.6 | 2,852,522 | 403,748 | 1.7 | 1,077,030 | 1.4 | 979,641 | 138,659 | 1.3 |
| Property management income and other income[3] ..... | 2,218,330 | 3.4 | 5,003,439 | 4.0 | 6,993,037 | 989,800 | 4.1 | 2,344,039 | 3.1 | 3,288,270 | 465,424 | 4.2 |
| Total revenue.. ..... | 65,873,515 | 100.0 | 124,745,623 | 100.0 | 169,316,010 | 23,965,126 | 100.0 | 76,837,895 | 100.0 | 77,341,665 | 10,947,002 | 100.0 |
| Total GFA delivered million (sq.m.)..... | 4.9 | | 9.5 | | 12.0 | | | 5.4 | | 4.9 | | |

*Notes:*

(1) Property development mainly includes the sales of properties.

(2) Cultural and tourism city operation includes the operation of the hotels, shopping malls and theme parks in the cultural and tourism cities.

(3) Property management income and other income includes income from property management, office building rentals and fitting and decoration services. On November 19, 2020, the Hong Kong Stock Exchange granted the listing of, and permission to deal in, the shares of Sunac Services on the main board of the Hong Kong Stock Exchange.

Before our adoption of the new HKFRS 15 in 2017, we recognized proceeds from the sale of property as revenue upon the delivery of the property. After our adoption of HKFRS 15 in 2017, we recognized revenue when our performance obligation is satisfied over time. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies — Revenue recognition" for more details.

### *Cost of sales*

Cost of sales comprises the costs we incur in relation to its direct development activities for the properties delivered, as well as costs for property management operations and leasing.

### *Other income and gains*

Other income and gains consisted primarily of (i) gains from business combinations, (ii) gains from disposals of subsidiaries, (iii) fair value gains on financial assets at fair value through profit or loss, (iv) fair value gains on derivative financial instruments, (v) fair value gains on investment properties, (vi) interest income in 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020, and (vii) net gains from disposal of joint ventures and associates in the six months ended June 30, 2020. The following table sets forth a breakdown of our other income and gains for the periods indicated:

| | Year Ended December 31, | | | | | | | Six Months Ended June 30, | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2017 | | 2018 | | 2019 | | | 2019 | | 2020 | | |
| | (RMB'000) | (%) | (RMB'000) | (%) | (RMB'000) | (US$'000) (unaudited) | (%) | (RMB'000) (unaudited) | (%) | (RMB'000) (unaudited) | (US$'000) (unaudited) | (%) |
| Gains from business combinations | 25,107,561 | 89.9 | 5,346,752 | 45.1 | 4,612,713 | 652,887 | 32.5 | 568,622 | 11.0 | 616,384 | 87,243 | 8.4 |
| Gains from disposals of subsidiaries | 35,648 | 0.1 | 637,195 | 5.4 | 15,550 | 2,201 | 0.1 | 70,772 | 1.4 | 5,570 | 788 | 0.1 |
| Fair value gains on financial assets at fair value through profit or loss ("FVPL") | — | — | 888,871 | 7.5 | 780,859 | 110,523 | 5.5 | 274,850 | 5.3 | 710,826 | 100,611 | 9.7 |
| Fair value gains on derivative financial instruments | — | — | 332,644 | 2.8 | 50,446 | 7,140 | 0.4 | — | — | 41,371 | 5,856 | 0.6 |
| Fair value gains on investment properties | — | — | 208,988 | 1.8 | 1,235,159 | 174,825 | 8.7 | 958,925 | 18.5 | 50,699 | 7,176 | 0.7 |
| Interest income | 2,032,562 | 7.3 | 2,933,793 | 24.8 | 4,835,206 | 684,379 | 34.1 | 1,980,436 | 38.2 | 2,199,915 | 311,378 | 30.1 |
| Others | 740,492 | 2.7 | 1,499,848 | 12.6 | 2,658,029 | 376,220 | 18.7 | 1,335,543 | 25.7 | 941,658 | 133,283 | 12.9 |
| Net gains from disposal of joint ventures and associates | — | — | — | — | — | — | — | — | — | 2,741,600 | 388,048 | 37.5 |
| Total other income and gains | 27,916,263 | 100.0 | 11,848,091 | 100.0 | 14,187,962 | 2,008,176 | 100.0 | 5,189,148 | 100.0 | 7,308,023 | 1,034,384 | 100.0 |

***Selling and marketing costs***

Selling and marketing costs comprise primarily advertisement and promotion costs relating to the sale of properties, sales and marketing staff costs, and office and travel and other expenses relating to sales and marketing.

***Administrative expenses***

Administrative expenses comprise primarily administrative staff costs, general office and travel expenses, consulting expenses, other tax expenses and various other expenses.

***Other expenses and losses***

Other expenses and losses comprise primarily impairment provisions for investments in associates, impairment provisions for goodwill, losses on derivative financial instruments, re-measurement losses of previously held interests in business combination, contracts termination expenses, impairment provisions for other intangible assets and others.

***Net impairment losses on financial and contract asset***

Net impairment losses on financial and contract asset comprise primarily impairment losses, movement in loss allowance for contract assets and trade and other receivables and amounts due from related parties, expected credit losses on financial guarantee and reversal of previous impairment losses.

***Finance income***

Finance income comprise primarily interest income on bank deposits.

***Finance expenses, net***

Finance expenses, net include primarily interest expenses on bank borrowings, borrowings from non-bank financial institutions, borrowings from third parties and senior notes, exchange loss and other finance costs, other than capitalized interest and net of interest income.

***Share of post-tax profits of investments accounted for using equity method, net***

Share of post-tax profits of investments accounted for using equity method, net represented our profit after taxation that was attributable to our interest in our equity investments.

***Income tax expenses***

Income tax expenses represent current and deferred PRC corporate income tax and LAT incurred by our PRC subsidiaries. Our PRC corporate income tax has been calculated at the applicable tax rate of 25%, on our assessable profits in 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020.

***Non-controlling interests***

Non-controlling interests represent third-party interests in our non-wholly owned subsidiaries. See "Corporate Structure" for more details.

## Results of Operations

The following table shows the line items of our consolidated income statements, expressed in absolute figures and as a percentage of revenue, for the periods indicated:

| | Year ended December 31, | | | | Six months ended June 30, | | |
|---|---|---|---|---|---|---|---|
| | 2017 | 2018 | 2019 | | 2019 | 2020 | |
| | (RMB'000) | (RMB'000) | (RMB'000) | (US$'000) (unaudited) | (RMB'000) (unaudited) | (RMB'000) (unaudited) | (US$'000) (unaudited) |
| Revenue | 65,873,515 | 124,745,623 | 169,316,010 | 23,965,126 | 76,837,895 | 77,341,665 | 10,947,002 |
| Cost of sales | (52,245,803) | (93,609,587) | (127,909,685) | (18,104,441) | (57,484,437) | (59,585,858) | (8,433,831) |
| **Gross profit** | 13,627,712 | 31,136,036 | 41,406,325 | 5,860,685 | 19,353,458 | 17,755,807 | 2,513,171 |
| Other income and gains | 27,916,263 | 11,848,091 | 14,187,962 | 2,008,176 | 5,189,148 | 7,308,023 | 1,034,384 |
| Selling and marketing costs | (3,419,436) | (4,360,530) | (6,166,473) | (872,808) | (2,563,053) | (2,615,289) | (370,170) |
| Administrative expenses | (3,535,411) | (7,356,570) | (8,286,551) | (1,172,885) | (4,074,070) | (3,685,860) | (521,700) |
| Other expenses and losses | (10,336,909) | (1,986,111) | (1,222,133) | (172,982) | (1,058,495) | (634,957) | (89,872) |
| Net impairment losses on financial and contract assets | (2,376,177) | (3,485,395) | (1,894,122) | (268,096) | (1,147,332) | (96,047) | (13,595) |
| **Operating profit** | 21,876,042 | 25,795,521 | 38,025,008 | 5,382,091 | 15,699,656 | 18,031,677 | 2,552,218 |
| Finance income | 736,000 | 806,208 | 1,183,244 | 167,477 | 620,088 | 861,111 | 121,882 |
| Finance expenses | (5,259,450) | (2,893,493) | (4,808,250) | (680,564) | (1,233,268) | (2,451,591) | (347,000) |
| Finance expenses — net | (4,523,450) | (2,087,285) | (3,625,006) | (513,086) | (613,180) | (1,590,480) | (225,118) |
| Share of post-tax profits or (losses) of investments accounted for using equity method, net | (1,993,604) | 4,955,994 | 8,146,321 | 1,153,037 | 3,630,399 | 2,414,541 | 341,756 |
| **Profit before income tax** | 15,358,988 | 28,664,230 | 42,546,323 | 6,022,041 | 18,716,875 | 18,855,738 | 2,668,856 |
| Income tax expenses | (3,694,608) | (11,219,229) | (14,390,265) | (2,036,810) | (7,425,766) | (7,154,856) | (1,012,704) |
| **Profit for the year/period** | 11,664,380 | 17,445,001 | 28,156,058 | 3,985,231 | 11,291,109 | 11,700,882 | 1,656,152 |
| **Attributable to:** | | | | | | | |
| Owners of the Company | 11,003,863 | 16,566,535 | 26,027,505 | 3,683,954 | 10,286,306 | 10,959,122 | 1,551,163 |
| Holders of perpetual capital securities | 679,084 | 591,179 | 319,010 | 45,153 | 173,183 | 68,297 | 9,667 |
| Other non-controlling interests | (18,567) | 287,287 | 1,809,543 | 256,124 | 831,620 | 673,463 | 95,323 |
| | 11,664,380 | 17,445,001 | 28,156,058 | 3,985,231 | 11,291,109 | 11,700,882 | 1,656,152 |

**Six months ended June 30, 2020 compared to six months ended June 30, 2019**

*Revenue*

Our revenue increased by 0.7% to RMB77,341.7 million (US$10,947.0 million) for the six months ended June 30, 2020 from RMB76,837.9 million for the same period in 2019, primarily due to the increase in the average selling price of delivered properties compared to the corresponding period in 2019, partially offset by the impact of COVID-19 outbreak on the construction progress of certain property projects, which led to a decrease in the total GFA delivered by 0.493 million sq.m., or approximately 9.2%, compared to the corresponding period in 2019.

*Cost of sales*

Our cost of sales increased slightly by 3.7% to RMB59,585.9 million (US$8,433.8 million) for the six months ended June 30, 2020 from RMB57,484.4 million for the same period in 2019.

*Gross profit*

Our gross profit decreased by 8.3% to RMB17,755.8 million (US$2,513.2 million) for the six months ended June 30, 2020 from RMB19,353.5 million for the same period in 2019. Our gross profit margin decreased to 23.0% for the six months ended June 30, 2020 from 25.2% for the six months ended June 30, 2019. The adjustments of revaluation surplus related to gains from business combination for the properties acquired led to the reduction of our gross profit in the amount of RMB4.94 billion (US$0.7 billion) and the gross profit margin would have been 29.3% for the six months ended June 30, 2020 without taking into account such impact.

*Other income and gains*

Our other income and gains increased by 40.8% to RMB7,308.0 million (US$1,034.4 million) for the six months ended June 30, 2020 from RMB5,189.1 million for the same period in 2019, primarily attributable to a gain before tax on the disposal of its 24.36% shares in Jinke Property Group Co., Ltd. by the Group.

*Selling and marketing costs*

Our selling and marketing costs increased slightly by 2.0% to RMB2,615.3 million (US$370.2 million) for the six months ended June 30, 2020 from RMB2,563.1 million for the six months ended June 30, 2019.

*Administrative expenses*

Our administrative expenses decreased by 9.5% to RMB3,685.9 million (US$521.7 million) for the six months ended June 30, 2020 from RMB4,074.1 million for the six months ended June 30, 2019, primarily due to more emphasis on refined management, the implementation of a series of measures to reduce expenses and improve efficiency and the decrease in traveling and other daily expenses as a result of the COVID-19 outbreak.

*Other expenses and losses*

Our other expenses and losses decreased by 40.0% to RMB635.0 million (US$89.9 million) in 2019 from RMB1,058.5 million for the same period in 2019, primarily due to more emphasis on refined management, the implementation of a series of measures to reduce expenses and improve efficiency and the decrease in traveling and other daily expenses as a result of the COVID-19 outbreak.

*Net impairment losses on financial and contract assets*

Net impairment losses on financial and contract assets decreased by 91.6% to RMB96.0 million (US$13.6 million) for the six months ended June 30, 2020 from RMB1,147.3 million for the six months ended June 30, 2019, primarily due to the impact of the decrease in share value for the companies we invested in.

*Finance income*

Financial income increased by 38.9% to RMB861.1 million (US$121.9 million) for the six months ended June 30, 2020 from RMB620.1 million for the six months ended June 30, 2019, primarily due to the increase of bank deposit interest.

*Finance expenses, net*

Net finance costs increased by 159.4% to RMB1,590.5 million (US$225.1 million) for the six months ended June 30, 2020 from RMB613.2 million for the six months ended June 30, 2019, primarily due to a significant increase of exchange loss from RMB146.6 million recorded in the six months ended June 30, 2019 to RMB910.8 million (US$128.9 million) for the six months ended June 30, 2020 and an increase in interest expenses of RMB3,399.2 million (US$481.1 million) as compared to the six months ended June 30, 2019, partially offset by an increase in interest income on our bank deposits.

*Share of post-tax (losses)/profits of associates and joint ventures accounted for using equity method, net*

Our share of post-tax profits of associates and joint ventures accounted for using equity method decreased by 33.5% to RMB2,414.5 million (US$341.8 million) for the six months ended June 30, 2020 from RMB3,630.4 million for the same period in 2019, primarily due to a decrease in revenue and gross margin of sales of properties of our joint ventures and associates as compared with the six months ended June 30, 2019.

*Income tax expenses*

Income tax expenses decreased by 3.6% to RMB7,154.9 million (US$1,012.7 million) for the six months ended June 30, 2020 from RMB7,425.8 million for the same period in 2019, primarily due to an increase in our revenue in the six months ended June 30, 2020.

*Profit for the period*

As a result of the foregoing, our profit for the period increased by 3.6% to RMB11,700.9 million (US$1,656.2 million) for the six months ended June 30, 2020 from RMB11,291.1 million for the same period in 2019.

***2019 compared to 2018***

*Revenue*

Our revenue increased by 35.7% to RMB169,316.0 million (US$23,965.1 million) in 2019 from RMB124,745.6 million in 2018, primarily due to the continuous expansion of our business scale, mainly evidenced by an increase in the sales of properties of which the delivered GFA of property projects attributable to us sold for the year ended December 31, 2019 increased to 12.0 million sq.m. from 9.5 million sq.m. for the year ended December 31, 2018, and the increase in the average price of the properties sold.

*Cost of sales*

Our cost of sales increased by 36.6% to RMB127,909.7 million (US$18,104.4 million) in 2019 from RMB93,609.6 million in 2018, which was primarily due to increase in GFA of delivered properties.

*Gross profit*

As a result of the foregoing, our gross profit increased by 33.0% to RMB41,406.3 million (US$5,860.7 million) in 2019 from RMB31,136.0 million in 2018. Our gross profit margin decreased to 24.5% in 2019 from 25.0% in 2018, which was primarily due to increased costs for the properties sold in 2019.

*Other income and gains*

Our other income and gains decreased by 19.7% to RMB14,188.0 million (US$2,008.2 million) in 2019 from RMB11,848.1 million in 2018, primarily attributable to significant increases in interest income and net fair value gains on investment properties recorded in 2019 as compared that of 2018, partially offset by decreases in gains from disposals of our subsidiaries and fair value gains on derivative financial assets at FVPL.

*Selling and marketing costs*

Our selling and marketing costs increased by 41.4% to RMB6,166.5 million (US$872.8 million) in 2019 from RMB4,360.5 million in 2018, primarily due to the increase in staff costs, resulting from the continuous expansion of our business scale and increase in the number of our property projects.

*Administrative expenses*

Our administrative expenses increased by 12.6% to RMB8,286.6 million (US$1,172.9 million) in 2019 from RMB7,356.6 million in 2018, primarily due to the increase in costs for administrative staff, resulting from the continuous expansion of business scale, increase in the number of our property projects.

*Other expenses and losses*

Our other expenses and losses decreased by 38.5% to RMB1,222.1 million (US$173.0 million) in 2019 from RMB1,986.1 million in 2018, primarily due to significant decreases in impairment provisions for goodwill, re-measurement losses of previously held interests in business combination, contracts termination expenses and impairment provisions for other intangible assets recorded in 2019 as compared to that of 2018, and partially offset by an increase in impairment provisions for investment in associates. Given that the operating condition of Leshi Internet has not shown apparent improvement, if the shares are delisted, the market value would further decrease as a result of the deterioration of the liquidity of its shares. As such, upon discussion with the Company's auditors and out of prudence, the Group made a further impairment provision in full for the remaining net amount of RMB0.70 billion in Leshi Internet's equity investment.

*Net impairment losses on financial and contract assets*

Net impairment losses on financial and contract assets decreased by 45.7% to RMB1,894.1 million (US$268.1 million) in 2019 from RMB3,485.4 million in 2018, primarily due to further provision for expected credit losses of RMB0.34 billion made for our loans and accrued interest to Leshi Internet in November 2017 and 2018, and further provision for expected credit losses of RMB1.25 billion made for our accumulated loans and accrued interest to Lerong Zhixin as of December 31, 2019.

*Financial income*

Financial income increased by 46.8% to RMB1,183.2 million (US$167.5 million) in 2019 from RMB806.2 million in 2018.

*Finance expenses, net*

Net finance costs increased by 73.7% to RMB3,625.0 million (US$513.1 million) in 2019 from RMB2,087.3 million in 2018, primarily due to a significant increase in total interest costs of RMB3,930.2 million (US$556.3 million) recorded in 2019 as compared to RMB1,686.8 million 2018, partially offset by a decrease in exchange losses and an increase in interest income on our bank deposits.

*Share of post-tax (losses)/profits associates and joint ventures accounted for using equity method, net*

Our share of post-tax profits of associates and joint ventures accounted for using equity method increased by 64.4% to RMB8,146.3 million (US$1,153.0 million) in 2019 from RMB4,956.0 million in 2018, primarily due to a significant increase in revenue of sales of properties recognized by our joint ventures and associates as compared to 2018.

*Income tax expenses*

Income tax expenses increased by 28.3% to RMB14,390.3 million (US$2,036.8 million) in 2019 from RMB11,219.2 million in 2018, primarily due to an increase in our revenue in 2019.

*Profit for the year*

As a result of the foregoing, our profit for the year increased by 61.4% to RMB28,156.1 million (US$3,985.2 million) in 2019 from RMB17,445.0 million in 2018.

***2018 compared to 2017***

*Revenue*

Our revenue increased significantly by 89.4% to RMB124,745.6 million in 2018 from RMB65,873.5 million in 2017, primarily due to the continuous expansion in the scale of our business in relation to the increase in our sales of properties in certain PRC markets, such as Chongqing and Qingdao.

*Cost of sales*

Our cost of sales increased significantly by 79.2% to RMB93,609.6 million in 2018 from RMB52,245.8 million in 2017, which was primarily due to the increase in the total GFA delivered in 2018.

*Gross profit*

As a result of the foregoing, our gross profit increased significantly by 128.5% to RMB31,136.0 million in 2018 from RMB13,627.7 million in 2017. Our gross profit margin increased to 25.0% in 2018 from 20.7% in 2017, which was primarily due to the higher gross profit margins of our property sales in certain PRC markets in 2018 as compared to 2017.

*Other income and gains*

Our other income and gains decreased by 57.6% to RMB11,848.1 million in 2018 from RMB27,916.3 million in 2017, primarily due to a decrease in the gains from the business combination recorded in 2018 as compared to 2017.

*Selling and marketing costs*

Our selling and marketing costs slightly increased by 27.5% to RMB4,360.5 million in 2018 from RMB3,419.4 million in 2017, primarily due to the expansion of our property development business scale.

*Administrative expenses*

Our administrative expenses increased significantly by 108.1% to RMB7,356.6 million in 2018 from RMB3,535.4 million in 2017, primarily due to an increase in staff costs as a result of the substantial increase in the number of projects developed. In addition, the administrative expenses for cultural and tourism city projects of the full year of 2018 were recorded in 2018, while less than half year of 2017 of the same were recorded in 2017.

*Other expenses and losses*

Our other expenses and losses decreased significantly by 80.8% to RMB1,986.1 million in 2018 from RMB10,336.9 million in 2017, primarily due to a decrease in impairment loss recorded for investments in associates from RMB8,928.9 million in 2017 to RMB404.0 million in 2018.

*Finance expenses, net*

Finance costs, net decreased by 53.9% to RMB2,087.3 million in 2018 from RMB4,523.5 million in 2017, primarily due to the increase of the capitalized interests, which resulted in decreased total interest costs and interest expenses in 2018, partially offset by the exchange rate fluctuation which resulted in an increase in our net foreign exchange loss in 2018.

*Share of post-tax (losses)/profits associates and joint ventures accounted for using equity method, net*

Our share of post-tax profits of associates and joint ventures accounted for using equity method, was a profit of RMB4,956.0 million in 2018 compared to a post-tax loss of RMB1,993.6 million in 2017, primarily due to the substantial increase in revenue and gross profit margin of property sales of the Group's joint ventures and associated companies in 2018 as compared with the amount in 2017, resulting in higher attributable net profit after tax.

*Income tax expenses*

Income tax expenses increased significantly by 203.7% to RMB11,219.2 million in 2018 from RMB3,694.6 million in 2017, primarily due to an increase in our revenue in 2018.

*Profit for the year*

As a result of the foregoing, our profit for the year increased by 49.6% to RMB17,445.0 million in 2018 from RMB11,664.4 million in 2017.

**Liquidity and Capital Resources**

***Overview***

We operate in a capital intensive industry. Historically, we have financed our operations by relying primarily on project loans and other financing facilities from PRC banks and trust companies, internally generated cash flows (including proceeds from the pre-sale and sale of properties), and proceeds from equity and debt issuance in the international and domestic capital markets. We intend to continue relying on some or all of these sources of funding in the future and may also obtain loans and other financing facilities from offshore banks and raise further capital by issuing additional debt securities. Our short-term liquidity requirements relate to servicing our debt and funding our working capital requirements, and our sources of short-term liquidity include cash balances, proceeds from pre-sales and sales of properties and short-term loans. Our long-term liquidity requirements relate to funding the development of our new property projects and repaying our long-term debt, and our sources of long-term liquidity include, capital contributions from shareholders long-term loans and proceeds from issuance of equity and debt securities.

***Cash flow***

*Net cash generated from operating activities*

We had net cash generated from operating activities of RMB22,439.3 million (US$3,176.1 million) in the six months ended June 30, 2020. Our net cash generated from operating activities in the six months ended June 30, 2020 was primarily attributable to (i) our profit before income taxes of RMB18,855.7 million (US$2,668.9 million), which was adjusted mainly to account for finance costs of RMB14,956.2 million (US$2,116.9 million), share of profits of joint ventures and associates of RMB2,414.5 million (US$341.8 million), interest income of RMB2,199.9 million (US$311.4 million) and net gains from business combinations of RMB616.4 million (US$87.2 million), and (ii) changes in working capital, which were primarily for properties under development and completed properties held for sale, net of RMB8,419.4 million (US$1,191.7 million), trade and other payables of RMB12,695.0 million (US$1,796.9 million), and contract liabilities of RMB10,690.0 million (US$1,513.1 million).

We had net cash generated from operating activities of RMB27,254.1 million (US$3,857.6 million) in 2019. Our net cash generated from operating activities in 2019 was primarily attributable to (i) our profit before income taxes of RMB42,546.3 million (US$6,022.0 million), which was adjusted mainly to account for finance costs of RMB25,809.0 million (US$3,653.0 million), share of profits of joint ventures and associates of RMB7,983.5 million (US$1,130.0 million), interest income of RMB4,835.2 million (US$684.4 million) and net gains from business combinations of RMB4,612.7 million (US$652.9 million), and (ii) changes in working capital, which were primarily for properties under development and completed properties held for sale, net of RMB95,613.0 million (US$13,533.1 million), trade and other payables of RMB44,142.6 million (US$6,248.0 million), and contract liabilities of RMB35,132.6 million (US$4,972.7 million).

We had net cash generated from operating activities of RMB52,054.7 million in 2018. Our net cash generated from operating activities in 2018 was primarily attributable to (i) our profit before income taxes of RMB28,664.2 million, which was adjusted mainly to account for our finance cost of RMB13,905.9 million, our gains from business combination of RMB5,346.8 million, share of profits of joint ventures and associates of RMB4,821.8 million, net impairment losses on financial and contract assets of RMB3,485.4 million, and interest income of RMB2,933.8 million, and (ii) changes in working capital, which were primarily attributable to an increase in contract liabilities of RMB47,554.8 million, an increase in restricted cash of RMB13,388.3 million and an increase in trade and other receivables and prepayments of RMB9,310.7 million.

We had net cash generated from operating activities of RMB75,099.4 million in 2017. Our net cash generated from operating activities in 2017 was primarily attributable to (i) our profit before income taxes of RMB15,359.0 million, which was adjusted mainly to account for our gains from business combinations of RMB25,107.6 million, impairment provisions for long-term assets of RMB9,397.3 million and finance costs of RMB5,259.5 million, and (ii) changes in working capital, which were primarily attributable to an increase in contract liabilities of RMB47,981.7 million, an increase in amount due to related companies of RMB35,907.4 million and a decrease in trade and other receivables and prepayments of RMB22,019.1 million.

*Net cash used in investing activities*

We had net cash used in investing activities of RMB10,411.4 million (US$1,473.6 million) in the six months ended June 30, 2020, primarily attributable to (i) purchases of property, plant and equipment, land use rights, intangible assets and investment properties of RMB8,503.8 million (US$1,203.6 million), (ii) investments in joint ventures and associates of RMB6,326.7 million (US$895.5 million) and (iii) payments for business combinations of RMB1,770.1 million (US$250.6 million), partially offset by loan repayments received from joint ventures and associates of RMB2,981.3 million (US$422.0 million).

We had net cash used in investing activities of RMB62,001.0 million (US$8,775.7 million) in 2019 primarily attributable to (i) investments in joint ventures and associates of RMB31,258.9 million (US$4,424.4 million), (ii) purchases of property, plant and equipment, land use rights, intangible assets and investment properties of RMB18,574.5 million (US$2,629.0 million) and (iii) payments for business combinations of RMB12,212.8 million (US$1,728.6 million), partially offset by loan repayments received from joint ventures and associates of RMB16,285.8 million (US$2,305.1 million).

We had net cash used in investing activities of RMB34,078.9 million in 2018 primarily attributable to (i) loans granted to joint ventures and associates of RMB16,342.6 million, (ii) purchases of property, plant and equipment, intangible assets and investment properties of RMB13,639.3 million and (iii) investments in joint ventures and associates of RMB9,745.5 million.

We had net cash used in investing activities of RMB120,168.7 million in 2017 primarily attributable to (i) payments for business combinations, net of RMB50,360.0 million, (ii) investments in joint ventures and associates of RMB34,829.1 million and (iii) payments for previous year equity investments of RMB18,481.9 million.

*Net cash generated from/(used in) financing activities*

We had net cash used in financing activities of RMB4,815.8 million (US$681.6 million) in the six months ended June 30, 2020, primarily attributable to repayments of borrowings of RMB111,758.4 million (US$15,818.4 million) and interest paid of RMB14,959.0 million (US$2,117.3 million).

We had net cash generated from financing activities of RMB36,393.4 million (US$5,151.2 million) in 2019, primarily attributable to proceeds from borrowings of RMB240,740.6 million (US$34,074.6 million), partially offset by repayments of borrowings of RMB164,208.0 million (US$23,242.1 million) and interest paid of RMB23,885.6 million (US$3,380.8 million).

We had net cash used in financing activities of RMB10,426.9 million in 2018, primarily attributable to repayments of borrowings of RMB106,354.1 million and interest paid of RMB13,489.3 million, partially offset by proceeds from borrowings of RMB118,691.2 million.

We had net cash generated from financing activities of RMB61,363.6 million in 2017, primarily attributable to our proceeds from borrowings of RMB123,017.2 million, partially offset by repayments of borrowings of RMB64,307.4 million.

***Restricted cash***

In 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020, our restricted cash included (i) certain proceeds from pre-sales of properties, which may be used only for the construction of such properties; (ii) security deposits with respect to certain of our bank loans, and/or (iii) certain bank deposits maintained for purposes of obtaining notes payable. As of December 31, 2017, 2018 and 2019 and June 30, 2020, the balance of such restricted cash was RMB28,285.6 million, RMB44,017.0 million, RMB47,787.0 million (US$6,763.8 million) and RMB35,626.8 million (US$5,042.6 million), respectively.

***Indebtedness***

The carrying amounts of our borrowings are denominated in Renminbi and approximate their fair value. The following table shows our outstanding borrowings as of the dates indicated:

| | As of December 31, | | | | As of June 30, 2020 | |
|---|---|---|---|---|---|---|
| | 2017 | 2018 | 2019 | | | |
| | (RMB'000) | (RMB'000) | (RMB'000) | (US$'000) (unaudited) | (RMB'000) (unaudited) | (US$'000) (unaudited) |
| **Current borrowings** | | | | | | |
| Secured | | | | | | |
| Bank and other institution borrowings | 16,329,138 | 21,481,667 | 37,847,612 | 5,356,982 | 38,130,514 | 5,397,024 |
| Unsecured | | | | | | |
| Bank and other institution borrowings | 300,000 | 13,989 | 609,900 | 86,326 | 331,346 | 46,899 |
| Current portion of non-current borrowings | 62,043,522 | 70,549,887 | 97,275,345 | 13,768,431 | 102,160,970 | 14,459,947 |
| **Total current borrowings** | 78,672,660 | 92,045,543 | 135,732,857 | 19,211,739 | 140,622,830 | 19,903,870 |
| **Non-current borrowings** | | | | | | |
| Secured | | | | | | |
| Bank and other institution borrowings | 162,215,305 | 158,893,707 | 214,090,958 | 30,302,609 | 202,219,851 | 28,622,362 |
| Senior notes | 9,059,336 | 22,143,124 | 44,838,865 | 6,346,529 | 48,300,905 | 6,836,549 |

| | As of December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2017 | 2018 | 2019 | | As of June 30, 2020 | |
| | (RMB'000) | (RMB'000) | (RMB'000) | (US$'000) (unaudited) | (RMB'000) (unaudited) | (US$'000) (unaudited) |
| Unsecured | | | | | | |
| Bank and other institution borrowings | 5,531,108 | 2,089,068 | 100,000 | 14,154 | 986,704 | 139,659 |
| Corporate bonds | 9,927,847 | 7,792,522 | 7,818,085 | 1,106,578 | 15,090,154 | 2,135,873 |
| Private domestic corporate bonds | 15,907,112 | 16,994,986 | 16,969,539 | 2,401,882 | 15,273,336 | 2,161,800 |
| Less: current portion of non-current borrowings | (62,043,522) | (70,549,887) | (97,275,345) | (13,768,431) | (102,160,970) | (14,459,947) |
| **Total non-current borrowings** | 140,597,186 | 137,363,520 | 186,542,102 | 26,403,321 | 179,709,980 | 25,436,297 |
| **Total** | 219,269,846 | 229,409,063 | 322,274,959 | 45,615,060 | 320,332,810 | 45,340,166 |

We continue to enter into short-term and long-term borrowings in the ordinary course of business, including construction and project loans, to finance our operations. For more information on our material indebtedness, see "Description of Other Material Indebtedness."

As of December 31, 2017, 2018 and 2019, the weighted average effective annual interest rate for our borrowings was 6.2%, 6.81% and 8.6%, respectively.

The following table shows the maturity profile of our long-term borrowings as of the dates indicated:

| | As of December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2017 | 2018 | 2019 | | As of June 30, 2020 | |
| | (RMB'000) | (RMB'000) | (RMB'000) | (US$'000) (unaudited) | (RMB'000) (unaudited) | (US$'000) (unaudited) |
| Long-term borrowings | | | | | | |
| Within one year | 62,043,522 | 70,549,887 | 97,275,345 | 13,768,431 | 102,160,970 | 14,459,947 |
| Between one and two years | 54,214,137 | 75,952,364 | 105,422,304 | 14,921,559 | 102,322,732 | 14,482,843 |
| Between two and five years | 78,041,362 | 57,951,481 | 67,424,093 | 9,543,261 | 63,081,407 | 8,928,594 |
| Over five years | 8,341,687 | 3,459,675 | 13,695,705 | 1,938,501 | 14,305,841 | 2,024,860 |
| **Total** | **202,640,708** | **207,913,407** | **283,817,447** | **40,171,752** | **281,870,950** | **39,896,244** |

On August 8, 2017, we issued the August 2020 Notes with an aggregate principal amount of US$400.0 million at an interest rate of 6.875% per annum to refinance our existing indebtedness. As of the date of this offering memorandum, the August 2020 Notes had been fully settled.

On August 8, 2017, we issued the August 2022 Notes with an aggregate principal amount of US$600.0 million at an interest rate of 7.95% per annum to refinance our existing indebtedness. As of the date of this offering memorandum, the entire principal amount of the August 2022 Notes remains outstanding.

On April 19, 2018, we issued the July 2021 Notes with an aggregate principal amount of US$650.0 million at an interest rate of 7.35% per annum to refinance our existing indebtedness and for other general corporate purposes. As of the date of this offering memorandum, the entire principal amount of the July 2021 Notes remains outstanding.

On April 19, 2018 and March 25, 2019, we issued the April 2023 Notes with an aggregate principal amount of US$450.0 million and US$200.0 million, respectively, at an interest rate of 8.35% per annum to refinance our existing indebtedness and for other general corporate purposes. As of the date of this offering memorandum, US$643.0 million in aggregate principal amount of the April 2023 Notes remains outstanding.

On January 15, 2019, we issued the January 2021 Notes with an aggregate principal amount of US$600.0 million at an interest rate of 8.375% per annum mainly to refinance our existing indebtedness. On December 8, 2020, we completed the offer to purchase the January 2021 Notes and after cancellation of the January 2021 Notes repurchased pursuant to the offer and as of the date of this offering memorandum, no January 2021 Notes remains outstanding.

On February 15, 2019, we issued the February 2022 Notes with an aggregate principal amount of US$800.0 million at an interest rate of 7.875% per annum mainly to refinance our existing indebtedness. As of the date of this offering memorandum, the February 2022 Notes have been fully redeemed.

On April 11, 2019, we issued the October 2023 Notes with an aggregate principal amount of US$750.0 million at an interest rate of 7.95% per annum mainly to refinance our existing indebtedness. As of the date of this offering memorandum, US$741.6 million in aggregate principal amount of the October 2023 Notes remains outstanding.

On June 14, 2019, we issued the June 2022 Notes with an aggregate principal amount of US$600.0 million at an interest rate of 7.25% per annum mainly to refinance our existing indebtedness. As of the date of this offering memorandum, the entire principal amount of the June 2022 Notes remains outstanding.

On November 1, 2019, we issued the February 2024 Notes with an aggregate principal amount of US$650 million at an interest rate of 7.5% per annum mainly to refinance our existing indebtedness. As of the date of this offering memorandum, US$633.9 million in aggregate principal amount of the February 2024 Notes remains outstanding.

On January 10, 2020, we issued the Existing 2025 Notes with an aggregate principal amount of US$540 million at an interest rate of 6.5% per annum mainly to refinance our existing indebtedness. As of the date of this offering memorandum, the entire principal amount of the Existing 2025 Notes remains outstanding.

On July 9, 2020, we issued the July 2023 Notes with an aggregate principal amount of US$600 million at an interest rate of 6.5% per annum and the July 2025 Notes with an aggregate principal amount of US$400 million mainly to refinance our existing indebtedness. On December 1, 2020, we issued additional July 2025 Notes with an aggregate principal amount of US$200 million. As of the date of this offering memorandum, the entire principal amount of the July 2023 Notes and the July 2025 Notes remains outstanding.

On August 3, 2020 and December 1, 2020, we issued the August 2024 Notes with an aggregate principal amount of US$500 million and US$120 million, respectively at an interest rate of 6.65% per annum mainly to refinance our existing indebtedness. As of the date of this offering memorandum, the entire principal amount of the August 2024 Notes remains outstanding.

On January 26, 2021, we issued the Existing 2024 Notes with an aggregate principal amount of US$600 million at an interest rate of 5.95% per annum and the January 2026 Notes with an aggregate principal amount of US$500 million mainly to refinance our existing indebtedness. As of the date of this offering memorandum, the entire principal amount of the Existing 2024 Notes and the January 2026 Notes remains outstanding.

On August 20, 2019, we entered into the 2019 CCB Facilities Agreement with respect to a term loan facility. On October 10, 2019, we entered into the 2019 BAML Facility Agreement with respect to a term loan facility. We have repaid the 2019 BAML Facility in full in March 2020. See "Description of Other Material Indebtedness" for details.

In 2015, we issued the 2015 Corporate Bonds in an aggregate principal amount of RMB6.0 billion to refinance our existing indebtedness. As of the date of this offering memorandum, the 2015 Corporate Bonds have been fully redeemed.

In 2016, we issued the 2016 Corporate Bonds in an aggregate principal amount of RMB4.0 billion to refinance our existing indebtedness. As of the date of this offering memorandum, the entire principal amount of the 2016 Corporate Bonds remains outstanding.

In 2020, we issued the 2020 Corporate Bonds in an aggregate principal amount of RMB7.3 billion to refinance our existing indebtedness. As of the date of this offering memorandum, RMB4.6 billion in aggregate principal amount of the 2020 Corporate Bonds remains outstanding.

In 2017, 2018 and 2019, we entered into asset-backed special agreements with third-party financing institutions in the form of asset securitization. The asset-backed securities have respective fixed repayment dates, bearing interest rate ranging from 5.8% to 7.5% per annum. We did not record asset-backed securities under borrowings in the six months ended June 30, 2020. As of the date of this offering memorandum, RMB9,972.0 million (US$1,411.4 million) of the aggregate principal amount of the asset-backed securities remains outstanding.

Consistent with others in the industry, we monitor capital on the basis of our gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and long-term borrowings) less restricted cash and cash and cash equivalents. Total capital is calculated as total equity plus net debt. As of December 31, 2017, 2018 and 2019 and June 30, 2020, our gearing ratio was approximately 66.9%, 59.9%, 63.3% and 59.9%, respectively.

In addition to the above, we have pledged certain properties under development, completed properties held for sale and our equity interests in certain of our PRC subsidiaries as collateral for certain loans in the PRC.

**Guarantees for Mortgage Facilities**

We have arranged bank financing for certain purchasers of our properties and provided guarantees to secure the obligations of such purchasers for repayment of their mortgage loans. Such guarantees will generally terminate upon the earlier of (i) the issuance to the purchasers of the property ownership certificate, which generally takes place within an average period of two to three years after completion of the guarantee registration, and (ii) the satisfaction of obligations under the mortgage loans by the purchasers. Our guarantee period starts from the dates of grant of the mortgages. In line with industry practice, we do not conduct independent credit checks on our customers but rely on the credit checks conducted by the mortgagee banks. See "Risk Factors — Risks Relating to Our Business — We guarantee the mortgages provided to our purchasers and consequently are liable to the mortgagee banks if our purchasers default on their mortgage payments." As of December 31, 2017, 2018 and 2019 and June 30, 2020, the financial guarantees provided by us in respect of mortgage facilities for certain purchasers of our properties amounted to RMB49,779.6 million, RMB88,598.4 million, RMB120,496.7 million (US$17,055.2 million) RMB130,060.0 million (US$18,408.8 million), respectively.

**Off-balance Sheet Commitments and Arrangements**

Except for the guarantees for mortgage facilities set forth above, we have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. We do not have retained or contingent interests in assets transferred to an unconsolidated entity or a similar arrangement that serves as credit, liquidity or market risk support to such entity for such assets. We have not entered into any derivative contracts that are indexed to our ordinary shares and classified as shareholders' equity, or that are not reflected in our consolidated financial statements. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing or hedging or research and development services with us.

**Market Risks**

Our activities expose us to a variety of financial risks, including interest rate risk, credit and liquidity risks, commodities risk, inflation or deflation risk and foreign exchange risk. Our overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance.

***Interest rate risk***

Our income and operating cash flows are substantially independent from changes in market interest rates. We have no significant interest-bearing assets. Our exposure to changes in interest rates is mainly attributable to our long-term borrowings. Borrowings at variable rates expose us to cash flow interest-rate risk. See "Risk Factors — Risks Relating to Our Business — We maintain a high level of indebtedness to finance our capital intensive business, and we may not have adequate cash flow to fund our operations or to service our financing obligations." Borrowings issued at fixed rates expose us to fair value interest-rate risk.

We do not use any interest rate swaps to hedge our exposure to interest rate risk. We analyze our interest rate exposure monthly by considering refinancing, renewal of existing positions and alternative financing.

***Credit and liquidity risks***

Our cash transactions are limited to high credit quality institutions. The extent of our credit exposure is represented by the aggregate balance of cash deposited in banks and trade and other receivables. Certain purchasers of our property units have arranged bank financing for their purchases and we have provided guarantees to secure obligations of such purchasers for repayments, and we bear an associated credit risk. See "— Liquidity and Capital Resources — Indebtedness."

Our management aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of available financing, including short-term and long-term bank borrowings to meet our construction commitments. Due to the dynamic nature of the underlying business, our finance department maintains flexibility in funding by maintaining adequate amounts of cash and cash equivalents and flexibility in funding through having available sources of financing.

***Commodities risk***

We are exposed to fluctuations in the prices of raw materials for our property development, including steel and cement. We do not engage in any hedging activities. Purchasing costs of raw materials are generally accounted for as part of the construction contractor fees pursuant to our arrangements with the relevant construction contractors. Accordingly, rising prices for construction materials can be expected to affect our construction costs in the form of increased fee quotes by our construction contractors and increased costs for such materials to the extent we bear such costs ourselves. As a result, fluctuations in the prices of our construction materials can be expected to have a significant impact on our business, financial condition and results of operations.

***Inflation or deflation risk***

According to the National Bureau of Statistics of China, the PRC's overall national inflation rate, as represented by changes in the general consumer price index, was approximately 1.6%, 2.07%, 2.9% and 2.5% in 2017, 2018 and 2019 and June 2020, respectively. Although inflation has not had a significant effect on our business in 2017, 2018 and 2019 and the six months ended June 30, 2020, there can be no assurance as to its impact in future periods.

***Foreign exchange risk***

We conduct our business principally in Renminbi. As of June 30, 2020, substantially all of our assets and liabilities were denominated in Renminbi. Depending on the timing of the conversion of proceeds from this offering into Renminbi, an appreciation of the Renminbi against the U.S. dollar would be likely to adversely affect the amount of Renminbi proceeds we receive from this offering. A depreciation of the Renminbi against the U.S. dollar would have the opposite effect. In addition, a depreciation of Renminbi would negatively affect the value of dividends paid by our PRC subsidiaries, which may in turn affect our ability to service the Notes and any other foreign currency-denominated debts. See "Risk Factors — Risks Relating to the PRC — Fluctuation in the exchange rates of the Renminbi may have a material adverse effect on our business and on your investment."

**Non-GAAP Financial Measures**

We use EBITDA to provide additional information regarding our operating performance. EBITDA refers to our earnings before the following items:

- Finance costs (including capitalized finance costs under cost of sales);
- Income tax expenses;

- Amortization of right-of-use assets, intangible assets, share option expenses and share award expenses;
- Depreciation;
- Valuation surplus of acquired properties included in cost of sales;
- Dividends from associates and joint ventures;
- Losses on business combinations
- Losses of disposals of subsidiaries;
- Losses/(gains) from fair value change of investment properties and derivative financial instruments and financial assets;
- Impairment provisions of assets;
- Gains from business combinations;
- Gains from disposals of subsidiaries;
- Gains from disposals of associates and joint ventures;
- Gains from acquisition of joint ventures and associates;
- Share of post-tax (profits)/losses of associates and joint ventures accounted using equity method, net;
- Profit attributable to other non-controlling interests; and
- Profit attributable to holders of perpetual capital securities.

EBITDA is not a standard measure under either HKFRS or generally accepted accounting principles in the United States ("U.S. GAAP"). As the property development business is capital intensive, capital expenditure requirements and levels of debt and interest expenses may have a significant impact on the profit for the year of companies with similar operating results. Therefore, we believe the investor community commonly uses this type of financial measure to assess the operating performance of companies in our market sector.

As a measure of our operating performance, we believe that the most directly comparable HKFRS and U.S. GAAP measure to EBITDA is profit for the year. We operate in a capital-intensive industry. We use EBITDA in addition to profit for the year because profit for the year includes many accounting items associated with capital expenditures, such as depreciation, as well as non-operating items, such as amortization of intangible assets and share options expenses and finance costs, including capitalized finance costs under cost of sales. These accounting items may vary between companies depending on the method of accounting adopted by the company. By minimizing differences in capital expenditures and the associated depreciation expenses as well as reported tax positions, intangible assets and share option expenses amortization, finance costs, including capitalized finance costs under cost of sales and other non-operating items, EBITDA provides further information regarding our operating performance and an additional measure for comparing our operating performance with other companies' results. Funds depicted by this measure may not be available for debt service due to covenant restrictions, capital expenditure requirements and other commitments.

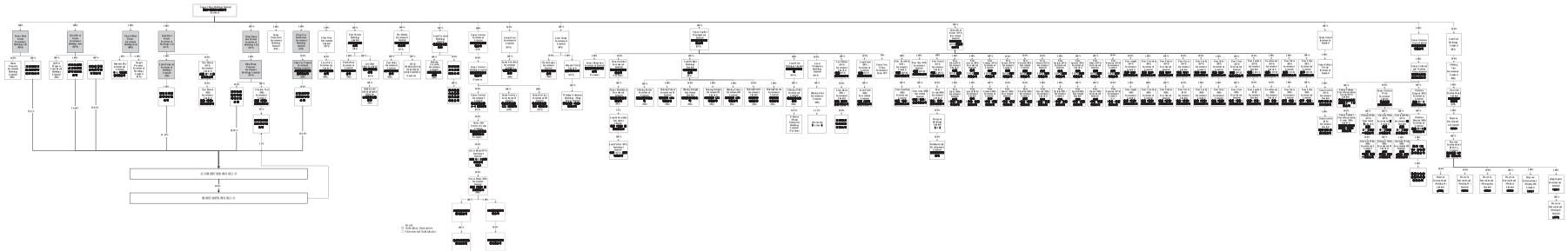
The following table reconciles our profit for the year under HKFRS to our definition of EBITDA for the periods indicated:

| | Year ended December 31, | | | | Six months ended June 30, | | |
|---|---|---|---|---|---|---|---|
| | 2017 | 2018 | 2019 | | 2019 | 2020 | |
| | (RMB'000) | (RMB'000) | (RMB'000) | (US$'000) (unaudited) | (RMB'000) (unaudited) | (RMB'000) (unaudited) | (US$'000) (unaudited) |
| **Profit for the year/period** | 11,664,380 | 17,445,001 | 28,156,058 | 3,985,231 | 11,291,109 | 11,700,882 | 1,656,152 |
| **Adjustments for:** | | | | | | | |
| Finance costs | 8,206,981 | 7,415,797 | 13,431,296 | 1,901,077 | 5,259,001 | 9,643,976 | 1,365,016 |
| Income tax expenses | 3,694,608 | 11,219,229 | 14,390,265 | 2,036,810 | 7,425,766 | 7,154,856 | 1,012,704 |
| Amortization of right-of-use assets, intangible assets, share option expenses and share award expenses | 255,424 | 452,227 | 1,198,176 | 169,591 | 658,799 | 731,128 | 103,484 |
| Depreciation | 294,091 | 830,972 | 1,200,944 | 169,983 | 446,597 | 865,090 | 122,446 |
| Valuation surplus of acquired properties included in cost of sales | 7,171,541 | 12,311,189 | 10,004,600 | 1,416,059 | 5,296,099 | 3,375,571 | 477,781 |
| Dividend from associates and joint ventures | 1,192,263 | 1,363,284 | 4,186,007 | 592,491 | 825,382 | 3,606,235 | 510,429 |
| Losses on business combinations | — | 119,632 | — | — | — | — | — |
| Losses on disposals of subsidiaries | 261,274 | — | — | — | 61,817 | — | — |
| Losses/(gains) from fair value change of investment properties, derivative financial instruments and financial assets | 199,312 | (1,430,503) | (1,998,038) | (282,804) | (1,183,266) | (732,240) | (103,642) |
| Impairment provisions of assets | 11,819,610 | 4,807,226 | 3,788,480 | 536,225 | 2,168,514 | 1,014,123 | 143,540 |
| Gains from business combinations | (25,107,561) | (5,346,752) | (4,612,713) | (652,887) | (568,622) | (616,384) | (87,243) |
| Gains from disposals of subsidiaries | (35,648) | (637,195) | (15,550) | (2,201) | (70,772) | (5,570) | (788) |
| Gains from disposals of associates and joint ventures | — | (7,434) | (14,494) | (2,051) | — | (2,741,600) | (388,048) |
| Gains from acquisitions of joint ventures and associates | (153,001) | (134,183) | (162,798) | (23,043) | (162,798) | — | — |
| Share of post-tax (profits)/losses of associates and joint ventures accounted using equity method, net | 2,146,605 | (4,821,811) | (7,983,523) | (1,129,994) | (3,467,601) | (2,414,541) | (341,756) |
| Profit attributable to other non-controlling interests | 18,567 | (287,287) | (1,809,543) | (256,124) | (831,620) | (673,463) | (95,323) |
| Profit attributable to holders of perpetual capital securities | (679,084) | (591,179) | (319,010) | (45,153) | (173,183) | (68,297) | (9,667) |
| **EBITDA** | **20,949,362** | **42,708,213** | **59,440,157** | **8,413,208** | **26,975,222** | **30,839,766** | **4,365,086** |

You should not consider our definition of EBITDA in isolation or construe it as an alternative to profit for the year or as an indicator of operating performance or any other standard measure under HKFRS or U.S. GAAP. Our definition of EBITDA does not account for taxes, interest income, depreciation and amortization and finance costs. Our EBITDA measures as described in this offering memorandum may not be identical to EBITDA measures used by us for other purposes and may not be comparable to similarly titled measures used by other companies.

# CORPORATE STRUCTURE

The following diagram sets forth our abbreviated corporate structure as of the date of this offering memorandum:



*Note:*

On November 19, 2020, the Hong Kong Stock Exchange granted the listing of, and permission to deal in, the shares of Sunac Services on the main board of the Hong Kong Stock Exchange. See "Summary — Recent Developments — Spin-off and Separate Listing of Our Property Management Business" for further details. We have designated Sunac Services and its subsidiaries, together with Sunac Services' direct parent company, Sunac Services Investment Limited, as unrestricted subsidiaries under the Indentures and the indentures governing the Existing Notes.

*Note:*

(1) The English names of the PRC entities are as follows, which are included for identification purposes only. In the event of any inconsistency, the Chinese name prevails.

| | Chinese Name | English Name |
|---|---|---|
| 1. | 天津融創不動產投資管理有限公司 | Tianjin Sunac Real Estate Investment Management Co., Ltd. |
| 2. | 天津啓威匯金不動產投資管理有限公司 | Tianjin Qiwei Huijin Real Estate Investment Management Co., Ltd. |
| 3. | 天津盈資匯金物業管理有限公司 | Tianjin Yingzihuijin Property Management Ltd. |
| 4. | 天津卓嘉物業管理有限公司 | Tianjin Zhuojia Property Management Ltd. |
| 5. | 天津卓越物業管理有限公司 | Tianjin Zhuoyue Property Management Ltd. |
| 6. | 天津鼎晟聚賢物業管理有限公司 | Tianjin Dingsheng Juxian Property Management Ltd. |

## Recent Major Organizational Activities

The following is a summary of our recent major organizational activities:

- In May 2015, we entered into an agreement to dispose of our equity interests in Zhejiang Jinying Realty Co., Ltd., Beijing Xingye Wanfa Real Estate Development Co., Ltd. and Shanghai Huazhe Bund Real Estate Co., Ltd. to Greentown Real Estate Group Co., Ltd. ("Greentown Real Estate"), a 100% owned subsidiary of Greentown China Holdings Limited ("Greentown China"). In addition, we agreed to acquire the equity interests in Shanghai Greentown Forest Golf Villa Development Co., Ltd. ("Shanghai Forest Golf"), Hangzhou Sunac Greentown Real Estate Development Co., Ltd. ("Hangzhou Sunac Greentown"), Shanghai Sunac Greentown and Sunac Greentown which were, before our acquisition, directly or indirectly, held by Greentown China. We have also agreed with Greentown China that we and Greentown China shall cooperate in the development of the Tianjin National Game Village Project through the Tianjin National Game Village Project Company in the proportion of 49 : 51 with respect to the 80% equity interest of Tianjin Greentown National Game Village Construction and Development Co., Ltd. ("Tianjin National Game Village Project Company"). The remaining 20% equity interests of Tianjin National Game Village Project Company is owned by an independent third party.

- In July 2015, Ease Success Holdings Limited ("Ease Success"), a 100% owned subsidiary of the Company, entered into an agreement to acquire 100% equity interest of Joyview Group Limited ("Joyview") from Marvel Leader Investments Limited ("Marvel Leader"), an indirect wholly-owned subsidiary of C C Land Holdings Limited, a Hong Kong Stock Exchange listed company. Joyview indirectly owned 80% equity interests in Chengdu Guojia Zhide Zhiye Co., Ltd. ("Chengdu Guojia"). We also agreed to acquire a receivable due from Joyview to Marvel Leader at a total consideration of RMB2,755.6 million. In addition, Chongqing Sunac Foundation Real Estate Development Co. Ltd. ("Chongqing Sunac Foundation"), a 100% subsidiary of the Company, entered into an agreement to acquire 20% equity interests in Chengdu Guojia from Sichuan Guojia Real Estate Co. Ltd. ("Sichuan Guojia"), and a receivable due from Chengdu Guojia to Sichuan Guojia, at a total consideration of RMB450.0 million.

- In November 2015, Tianjin Sunac Ao Cheng entered into an agreement to establish a joint venture with Xian Titan Real Estate Group Co., Ltd. ("Xian Titan") in Xian, in which Tianjin Sunac Ao Cheng and Xian Titan hold 80% and 20% equity interests, respectively. The joint venture shall acquire the equity interest in two property projects previously held by Xian Titan which were then under development. For certain projects intended to be acquired by Xian Titan or their affiliated companies and subsidiaries, the joint venture can acquire the target land parcels for development and construction. For projects to be participated or intended to be acquired in the future by Xian Titan or their affiliated companies and subsidiaries by way of first-level formation, Xian Titan and the joint venture will jointly inject funds to establish project companies for acquisition, development and construction, of which Xian Titan shall hold no more than 30% equity interest in the project companies and the joint venture shall hold

no less than 70% equity interest in the project companies. In addition, Tianjin Sunac Ao Cheng or its designated company shall acquire 100% equity interest in two projects in Jinan, two projects in Nanjing and two projects in Chengdu from Xian Titan, Chengdu Titan Real Estate Co., Ltd., Fuda International Investment Limited and Shanghai Titan Technology Investment Development Co. Ltd. for a total consideration of RMB496.2 million.

- In January 2016, Shanghai Sunac Real Estate Development Group Co., Ltd. ("Shanghai Sunac"), a 100% owned subsidiary of the Company, entered into an agreement to acquire 95% equity interests in Suzhou Xinyou Real Estate Co., Ltd. ("Suzhou Xinyou") from Jiangsu Youyi Hesheng Property Development Co., Ltd. ("Jiangsu Youyi"). Shanghai Sunac also agreed to pay on behalf of Suzhou Xinyou the entire outstanding shareholder's loan in the amount of RMB854.6 million owing by it to Jiangsu Youyi.

- In February 2016, Shanghai Sunac entered into an agreement to acquire 100% equity interest in Suzhou Der Taihu Bay Properties Co., Ltd. ("Suzhou Der Taihu Bay") and Suzhou Der Taihu Town Real Estate Co., Ltd. ("Suzhou Der Taihu Town") from Der Group Co., Ltd. ("Der Group") and Mr. He Yonggang, and the entire outstanding shareholder's loans owed by Suzhou Der Taihu Bay and Suzhou Der Taihu Town to Der Group and Mr. He, at a total consideration of RMB1,170.0 million.

- In February 2016, Tianjin Sunac Ao Cheng entered into an agreement to acquire 70% equity interests and debt interests in Zhongmu Meisheng Real Estate Co., Ltd. from Zhengzhou Meisheng at the total consideration of RMB753.9 million.

- In March 2016, Shanghai Sunac entered into an agreement to establish a joint venture with Shanghai Moke Real Estate Co., Ltd. to acquire two target projects at the southern suburb of Pudong District, Shanghai.

- In May 2016, Sunac China entered into an agreement to acquire from Top Spring International Holdings Limited, a Hong Kong Stock Exchange listed company ("Top Spring"), 100% equity interests in seven target companies in the PRC, which hold six property companies, at a total consideration of RMB2,119.1 million. Sunac China also agreed to settle the loans in the amount of RMB2,106.1 million owed by the target companies and/or the project companies to Top Spring and its subsidiaries.

- In August 2016, Hainan Sunac Properties Co., Ltd., a 100% owned subsidiary of the Company, entered into an agreement to acquire from Hangzhou Jinhan Investment Co., Ltd. ("Hangzhou Jinhan") 50% equity and debt interests in three target companies in the PRC, which hold two project companies, and the outstanding shareholder's borrowings owed by the target companies to Hangzhou Jinhan, at a total consideration of RMB2,053.8 million.

- In September 2016, Sunac Real Estate Group Co., Ltd. ("Sunac Real Estate"), a 100% owned subsidiary of the Company, entered into an agreement to acquire the equity interests in 41 companies which were, before our acquisition, held by Legend Holdings Corporation ("Legend Holdings"), a Hong Kong Stock Exchange listed company, and/or Raycom Real Estate Development Co., Ltd., a subsidiary of Legend Holdings, at a total consideration of RMB13,788.4 million. The 41 companies owned interests in 42 property projects.

- In September 2016, Tianjin Jujin Property Management Ltd., a 100% owned subsidiary of the Company, subscribed 907,029,478 shares in Jinke Property Group Co., Ltd. ("Jinke Property"), a company listed on the Shenzhen Stock Exchange, in a private share placement, representing approximately 16.96% of the total issued shares of Jinke Property as enlarged by the private share placement, at a total consideration of RMB4.0 billion. From November 2016 to January 2017, Tianjin Runze Property Management Ltd. and Tianjin Runding Property Management Ltd., 100% owned subsidiaries of the Company, further acquired 329,862,211 shares in Jinke

Property through the open market, representing approximately 6.17% of the total issued shares of Jinke Property, at a total consideration of RMB1,723.4 million. In April 2017, Tianjin Runding Property Management Ltd. further acquired 98,950,296 shares in Jinke Property through the open market at a total consideration of RMB596.3 million.

- In November 2016, Sunac (Qingdao) Real Estate Company Limited, a 100% owned subsidiary of the Company, entered into an agreement to acquire the 100% equity interests in Qingdao Calxon Real Estate Development Company Limited from Calxon Group (Shanghai) Limited Company at a consideration of RMB3,662.0 million. In December 2016, the acquisition was completed.

- In January 2017, Chengdu Rongchuang Hongchang Properties Development Co., Ltd., a 100% owned subsidiary of the Company, entered into an agreement to acquire 100% equity interest in Chengdu Zixi Commercial Management Co., Ltd. ("Chengdu Zixi"), 10% equity interest in Chengdu Shunyu Properties Co., Ltd. ("Chengdu Shunyu") and a shareholder loan of RMB7.1 million Chengdu Shunyu owed at a total consideration of RMB1,510.0 million. Chengdu Zixi holds 90% equity interest in Chengdu Shunyu.

- In January 2017, Sunac Real Estate entered into an agreement pursuant to which Sunac Real Estate or its designated affiliate would obtained 6.25% equity interest of Homelink Real Estate Agency Co., Ltd. ("Homelink") by way of an capital increase at the consideration of RMB2,600.0 million. Upon the completion of the transaction, we became a 6.25% shareholder of Homelink and are entitled to appoint one director of Homelink.

- In January 2017, Tianjin Jiarui entered into a series of sale and purchase agreements to acquire a (i) 8.61% equity interest in Leshi Internet, at a consideration of approximately RMB6,041.5 million; (ii) 15% equity interest in Le Vision Pictures at a consideration of RMB1,050.0 million; and (iii) 33.4959% equity interest in Lerong Zhixin upon completion of the capital increase at a consideration of RMB7,950.0 million.

- During the period from November 2016 to January 2017, we acquired an aggregate of 329,862,211 shares in the share capital of Jinke Property ("Jinke Shares"), representing approximately 6.17% of the then total issued shares of Jinke Property, at the total consideration of approximately RMB1,723.4 million. After the acquisition and taking into account the subscription of 907,029,478 Jinke Shares, we indirectly held a total of 1,236,891,689 Jinke Shares, representing approximately 23.15% of the total issued shares of Jinke Property. The total consideration paid for such Jinke Shares was approximately RMB5,723.4 million.

- In March 2017, Beijing Sunac Raycom Real Estate Company Limited, a 100% owned subsidiary of the Company, entered into an agreement to acquire 30% equity and debt interest in Beijing Rongzhi Ruifeng Investment Company Limited and 49% equity interest in Chengdu Lianchuang Rongjin Investment Limited at a total consideration of RMB2,304.1 million.

- In May 2017, Tianjin Sunac Ao Cheng entered into an agreement to acquire 80% equity and debt interest in Tianjin Xingyao Investment Company Limited from Kunming Xingyao Sports City Company Limited at a total consideration of RMB10,254.2 million.

- In May 2017, Chongqing Sunac Jiye Real Estate Development Co., Ltd., a 100% owned subsidiary of the Company, entered into agreements to acquire 60% equity and debt interests in Chongqing Huacheng Fuli Property Development Co., Ltd. from Chongqing Shangjin Property Planning and Design Consulting Co., Ltd. at a total consideration of RMB2,100.0 million.

- In June 2017, Dalian Sunac Real Estate Co., Ltd., a 100% owned subsidiary of the Company, entered into an agreement to acquire 100% equity and debt interests in Dalian Runde Qiancheng Real Estate Development Co., Ltd. from Runde Group Limited,, Dalian Jinxin Group Limited, Glory Gain Pte. Ltd. and Shanghai Fenghai Investment Co., Ltd. at a total consideration of RMB3,232.1 million.

- In July 2017, Sunac Real Estate entered into an equity transfer agreement with Dalian Wanda Commercial Properties Co., Ltd. ("Dalian Wanda Commercial Properties"), pursuant to which Sunac Real Estate agreed to acquire, and Dalian Wanda Commercial Properties agreed to dispose of a 91% equity interest in Dalian Wanda Commercial Properties' 14 cultural and tourism project companies in the PRC at the consideration of approximately RMB43,844.0 million.

- In January 2018, we entered into a strategic cooperation agreement with Dalian Wanda Group Co., Ltd. ("DWG") and DWCP, pursuant to which we agreed to utilize RMB9,500,000,000 or the HK$ equivalent amount to acquire approximately 3.91% of the shares in DWCP from DWCP's certain existing shareholders and/or DWG.

- In November 2019, Sunac Southwest Group, an indirect wholly-owned subsidiary of the Company, received notification of transaction results, pursuant to which Sunac Southwest Group will acquire 51% equity interest in each of Global Century and Times Global held by Yunan Metropolitan Construction Investment Group Co., Ltd. ("YMCI") at an aggregate consideration of approximately RMB15.269 billion. In addition, Sunac Southwest Group entered into cooperation agreement with individual shareholders holding 49% equity interest in the Target Companies. In December 2019, as one of the bidding conditions, Sunac Southwest Group and Yunnan Province Water Industry Investment Co., Ltd. ("YPWI"), a wholly-owned subsidiary of YMCI, entered into a partnership agreement which serves as cooperation platform in the future for investment in real estate projects, whereby YPWI shall act as the general partner and commit to contribute RMB1.0 million, representing 0.025% of the partnership's capital contribution and Sunac Southwest Group shall be the limited partner and commit to contribute RMB4.0 billion, representing 99.975% of the partnership's capital contribution.

- On April 13, 2020, Tianjin Jujin Property Management Ltd. ("Jujin Property"), an indirect wholly-owned subsidiary of the Company, and Guangdong Hongmin Enterprise Management Consulting Co., Ltd. ("Guangdong Hongmin") entered into an agreement, pursuant to which Jujin Property agreed to sell, and Guangdong Hongmin agreed to acquire, approximately 11.0% of the total issued share capital of Jinke Property Group Co., Ltd. ("Jinke Property") for a total consideration of approximately RMB4,699.0 million ("First Jinke Disposal"). On May 6, 2020 and May 7, 2020, Tianjin Runding Property Management Ltd. ("Runding Property") and Tianjin Runze Property Management Ltd., indirect wholly-owned subsidiaries of the Company, sold on the open market a total of 266,985,692 shares of Jinke Property at RMB8.0 per share, representing approximately 5.0% of the total issued share capital of Jinke Property, for a total consideration of approximately RMB2,136.0 million ("Second Jinke Disposal"). The Second Jinke Disposal was completed on May 7, 2020, and the First Jinke Disposal was completed on May 19, 2020. On May 14, 2020, Runding Property sold on the open market another total of 266,985,692 shares of Jinke Property at RMB8.0 per share, representing approximately 5.0% of the total issued share capital of Jinke Property, for a total consideration of approximately RMB2,136.0 million ("Third Jinke Disposal"). On May 21, 2020, Runding Property, Jujin Property and Tianjin Runze Property Management Ltd. sold on the open market a total of 179,414,649 shares of Jinke Property, representing approximately 3.36% of the total issued share capital of Jinke Property, for a total consideration of approximately RMB1,434.0 million ("Fourth Jinke Disposal"). Upon completion of the above Disposal, we will indirectly hold, in aggregate, approximately 4.00% of the total issued share capital of Jinke Property.

## Overview

We are an integrated residential and commercial property developer with a focus on high-end and high-quality property developments in selected cities in China. Since we commenced operations in Tianjin in 2003, we have established a strong market position in Tianjin and have been active in expanding our business through our subsidiaries and associates to the other target cities. As of June 30, 2020, we operate in seven strategically selected regions which we believe have significant potential for economic growth, namely, the northern China region, the Shanghai region, the Beijing region, the southwestern China region, the southeastern China region, the central China region and the southern China region. In recent years, we have won many awards for our significant achievements in the property sector nationwide or region-wide, including:

- In 2019, we were recognized as one of the top 10 real estate developers in China (2019年中國房地產開發企業10強);
- In 2019, we were ranked the first in terms of "Chinese Real Estate Company's Product Power" for 2019 (2019年中國房企產品力第一名);
- In 2019, we were recognized as one of the "Best Chinese Real Estate Companies to Work For in 2019" (2019年中國房地產最佳僱主企業);
- In 2019, we were recognized as the "Property Management Company in China with Leading Brand for Quality Service" (2019年中國物業品質服務領先品牌企業);
- In 2018, we were recognized as one of the "Best Chinese Real Estate Company to Work For in 2018" (2018中國房地產最佳僱主企業);
- In 2018, we were recognized as a "Leading Company in Chinese Real Estate Branding of 2018" (中國房地產行業領導公司品牌);
- In 2018, we were recognized as one of the "2018 China Blue Chip Real Estate Developers" (2018年度中國藍籌地產企業);
- In 2018, we ranked the fifth among the top 10 real estate developers in China (2018中國房地產開發企業十強第五名);
- In 2018, we ranked the fourth among the top 10 real estate developers of comprehensive development in China (2018中國房地產開發企業綜合發展十強第四名);
- In 2018, we ranked the fifth among the top 10 real estate developers of comprehensive strength in China (2018中國房地產開發企業綜合實力十強第五名);
- In 2018, we ranked as one of the top 10 real estate developers of development in China (2018中國房地產百強企業成長TOP 10);
- In 2017, we ranked the third among the top 10 brand value of real estate developers in China (2017中國房地產公司品牌價值TOP 10 — 第三名);
- In 2017, we ranked as one of the top 10 real estate developers of comprehensive strength in China (2017中國房地產開發企業綜合實力十強);
- In 2017, we received the Best Contribution to the Society (企業社會責任最佳貢獻獎);
- In 2017, we ranked the most influential real estate companies in China (中國年度影響力地產企業);
- In 2016, we ranked seventh among the top 10 real estate developers of comprehensive strength in China (中國房地產開發企業綜合實力10強第7名);
- In 2016, we ranked among the most influential real estate companies in China (中國最具影響力地產企業);

- In 2016, we ranked among the top 10 brand value of real estate developers in China (中 國房地產品牌價值top 10);

- In 2016, our Beijing One Central (北京使館一號院) ranked among the luxury real estates showcase works in Beijing (北京豪宅示範作品);

- In 2016, our Suzhou One Park (蘇州一號院) ranked among the top 10 luxury real estates in Asia (亞洲十大豪宅);

- In 2016, our Beijing Glory Chateau (北京紫禁一號院) received the Jinding Prize for luxury real estates (豪宅金鼎獎);

- In 2016, our Hefei One Central (合肥一號院) ranked among the top 10 brand value of the high-profile real estate projects in China (中國房地產高端項目品牌價值top 10);

- In 2015, we were named as one of the real estates companies which are institutional investors' first choices in China (中國機構投資者首選房企);

- In 2015, we ranked among the top 10 real estate developers of comprehensive development in China (中國房地產開發企業綜合發展10強);

- In 2015, our Chongqing Hastin Avenue (重慶白象街) ranked among the commercial properties with the best urban value (中國最佳城市價值商業樓盤);

- In 2015, our Chongqing Rose Garden (重慶玫瑰園) received Jinshi Prize for the best construction in China under the category of excellent planning and designing (中華建築金石獎 — 卓越規劃設計類); and

- In 2015 and 2016, we were ranked among the best employers among the real estate companies in China (中國房地產最佳僱主企業).

We focus on the development of integrated residential and commercial properties. We develop a variety of residential properties for sale, including high-rise apartments, mid-rise apartments, townhouses and detached villas. We also develop various commercial properties primarily for sale as well as for lease, including retail stores, offices and serviced apartments. Many of our residential projects are large in scale, featuring a combination of residential properties integrated with value-added ancillary facilities such as clubhouses, retail stores, parking spaces and schools. Our commercial properties are typically large-scale commercial complexes combining retail space, offices, parking facilities and, in some cases, serviced apartments. We focus on delivering high-quality products and services to medium to high-income customers. In 2017, 2018, 2019 and the six months ended June 30, 2020, we generated substantially all of our revenue from sales of residential and commercial properties.

Through our subsidiaries and associates, we had a total of 749 property development projects as of June 30, 2020, which comprised completed properties, properties under development and properties held for future development with a total site area of approximately 140.0 million sq.m. and a total aggregate GFA of approximately 247.8 million sq.m., of which our attributable GFA in these properties amounted to 158.1 million sq.m.

In 2017, 2018, 2019 and for the six months ended June 30, 2019 and 2020, our revenue was RMB65,873.5 million, RMB124,745.6 million, RMB169,316.0 million (US$23,965.1 million), RMB76,837.9 million and RMB77,341.7 million (US$10,947.0 million), respectively, and our profit attributable to owners of the Company was RMB11,003.9 million, RMB16,566.5 million, RMB26,027.5 million (US$3,684.0 million), RMB10,286.3 million and RMB10,959.1 million (US$1,551.2 million), respectively.

**Competitive Strengths**

We believe that the following strengths of our Company will allow us to compete effectively in the property market in the PRC:

***Proven ability to grow our business in strategically targeted cities with high growth potential***

Since we commenced operations in 2003, we, through our subsidiaries and associates, have developed and grown our business in a number of strategically targeted cities. We believe each of our target cities has high growth potential in terms of, among other factors, GDP, average income level outlook, development of urban infrastructure, property market supply and demand dynamics, and ability to attract purchasers from outside the city. In order to diversify market concentration risks, we have selected target cities located in different parts of China featuring complementary growth profiles and different stages of economic development. We currently operate in seven strategically selected regions in China, namely the northern China region, the Shanghai region, the Beijing region, the southwestern China region, the southeastern China region, the central China region and the southern China region. We believe the regions in which our subsidiaries and associates currently operate could serve as an important platform in sustaining our business growth.

***Successful track record in developing large-scale, integrated property projects***

The majority of our property development projects are large in scale and are developed in phases with pre-sales and delivery spanning over a number of years. As of June 30, 2020, we had 45 projects with a planned aggregate GFA of above one million sq.m. and 80 projects with a planned aggregate GFA of between 500,000 sq.m. and one million sq.m. By focusing on developing large-scale properties and maintaining growth in average selling prices for each phase of a project, we have been able to achieve a growth in revenue in 2017, 2018 and 2019 and the six months ended June 30, 2020. Our revenue increased from RMB65,873.5 million in 2017 to RMB124,745.6 million in 2018 and continued to increase to RMB169,316.0 million (US$23,965.1 million) in 2019. Our revenue increased from RMB76,837.9 million for the six months ended June 30, 2019 to RMB77,341.7 million (US$10,947.0 million) for the same period in 2020. We expect to complete the remaining phases of most of our existing projects in the next three to five years and, as a result, believe our track record in developing large-scale projects provides a solid basis to predict future cash flow for that time period.

As our large-scale, integrated property projects are being completed in phases, we believe the gradual maturing of communities will help create new city or district centers in our target cities and provide us with valuable benefits, including:

- creating greater and sustainable economies of scale;
- enhancing the long-term appreciation in value of our property products, especially those in later project phases;
- enhancing our brand recognition and brand value both locally and regionally;
- facilitating our ability to obtain support from local authorities during our land acquisition and project development processes;
- enhancing our ability to meet different and changing preferences and demands of our customers in our target cities; and
- strengthening our position as a versatile property developer to capture growth opportunities as well as to meet challenges presented by changing regulatory environment and market conditions.

***Strong ability to maintain a high-quality land bank at a relatively low cost***

We, through our subsidiaries and associates, have a high-quality land bank in our target cities. Each of our land sites features some or all of the following geographic advantages:

- superior locations, such as in central business districts and areas identified by the government to be key development areas;

- scenic views, such as our Beijing One Sino Park project, which is adjacent to Chaoyang Park; Sun Moon Bay project in Wanning, Hainan, which enjoys a seaview; and Fortune Riverside project in Shanghai, which enjoys a view of Huangpu River;

- proximity to cultural, leisure and commercial facilities, such as the National Village in Tianjin, which is to serve the National Games of China in 2017; and Sunac Hangzhou The Times project, which is adjacent to Hangzhou International and Expo Center;

- proximity to prominent educational institutions, such as our Tianjin Majestic Mansion project, which is adjacent to Tianjin University; and

- convenient access to our Tianjin Hopsca Center project, which comprise residential buildings, shopping malls, office buildings and serviced apartments.

In 2017, 2018 and 2019 and the six months ended June 30, 2020, our average unit land cost based on total GFA delivered was RMB4,728 per sq.m., RMB4,432 per sq.m., RMB4,443 (US$638) per sq.m. and RMB4,312 (US$610) per sq.m., respectively, which accounted for 28.8%, 29.1%, 32.9% and 40.0%, respectively, of our average selling price per sq.m. of such properties. We believe that because of our experience and judgment as to the timing and potential of land acquisition opportunities, we, through our subsidiaries and associates, have been able to build a successful track record in identifying and acquiring land sites at relatively early stages in their long-term appreciation potential and therefore at relatively low costs. In addition, we actively seek to acquire land sites through merger and acquisitions of companies holding land resources, which we believe effectively reduces our land costs.

***Seasoned and cohesive management team with strong corporate governance***

Sun Hongbin, our Chairman and an executive director has more than 20 years of experience in real estate development in China. Many of our executive directors and senior management also have more than 15 years of property development experience in China, and all of them have obtained tertiary education or relevant professional qualifications. Some of our executive directors and senior management used to be core members of the Sunco Group's management team and have worked cohesively as a team led by Mr. Sun even before the establishment of our Company. We believe they have benefited from their prior experience, which has helped them successfully grow our business over the years despite facing various challenges, including those arising from the PRC government's macroeconomic control measures and the property market downturn caused by the global financial crisis.

Prior to our initial public offering, we brought in, among other financial institutions, CDH in 2007 and Bain Capital in 2009 as our investors. Each of CDH and Bain Capital has appointed a non-executive director to our board of directors. We believe that with the support and contribution of our financial investors, we have been able to further strengthen our corporate governance and execution capabilities. Our financial investors provide us with a second opinion and other valuable advice on key business decisions including corporate financial policies, land and project acquisitions, as well as major development decisions such as product positioning and marketing strategies. Furthermore, with our financial investors' experience and expertise in adopting best practices in financial and management controls, we have been able to further strengthen our management systems and internal control procedures. We believe that having stable, long-term collaborative relationships with these sophisticated investors will help us maintain strong and solid long-term prospects as we continue to develop and grow our business.

***High-quality products with strong brand recognition***

We believe our products feature a high quality of design and construction, particularly in terms of spatial efficiency, construction innovation, environmental harmony and visual appeal. We have engaged internationally acclaimed design firms to design our projects. We are selective in choosing competent and reputable contractors through public tenders to construct our projects. In addition, we implement management and internal approval procedures designed to monitor and control the development process, to ensure consistently high-quality design and construction. In recognition of the quality of our property developments, our projects have received many prestigious awards, both national and regional, including: in 2016, our Beijing One Central (北京使館一號院) ranked among the luxury real estates showcase works in Beijing (北京豪宅示範作品); our Suzhou One Park (蘇州一號院) ranked among the top 10 luxury real estates in Asia (亞洲十大豪宅); our Beijing Glory Chateau (北京紫禁一號院) received the Jinding Prize for luxury real estates (豪宅金鼎獎); and our Hefei One Central (合肥一號院) ranked among the top 10 brand value of the high-profile real estate projects in China (中國房地產高端項目品牌價值top 10). In 2015, our Chongqing Hastin Avenue (重慶白象街) ranked among the commercial properties with the best urban value (中國最佳城市價值商業樓盤); and our Chongqing Rose Garden (重慶玫瑰園) received Jinshi Prize for the best construction in China under the category of excellent planning and designing (中華建

築金石獎 — 卓越規劃設計類). We believe our focus on high-quality products and our endeavor to bring excellent value to our customers have contributed to the rapid growth of our brand recognition and brand value. We believe our strong brand recognition and proven execution capabilities, particularly in our current target cities, will continue to add to our competitive advantages in the region and enable us to expand our operations in the industry while achieving premium pricing on our future real estate products.

***Prudent cash flow management to maintain strong liquidity***

We have been able to maintain strong liquidity through prudent cash flow management. We consider cash flow management as a first priority in managing our operations. Our strong sales have helped ensure adequate cash inflow. We use contracted sales, which include sales evidenced by binding pre-sale or sales contracts and sales confirmed by non-binding memorandums of understanding and non-refundable cash deposits, to measure our sales performance. We have achieved strong growth in sales in recent years, recording total contracted sales of approximately RMB362,010 million, RMB460,830 million, RMB556,210 million (US$78,726 million), RMB214,160 million and RMB195,270 million (US$27,639 million), and an average selling price per sq.m. of approximately RMB16,380 and RMB15,210, RMB14,530 (US$2,057), RMB14,550 and RMB13,910 (US$1,969), in 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020, respectively. We take a cautious approach toward land acquisition and strive to secure sources of funding before making any land acquisition. Through active control of unpaid land grant fee, we are able to reduce the pressure that off-balance sheet liabilities may pose on our cash flow and capital structure. Our cash balance has stayed at a reasonably high level in 2017, 2018 and 2019 and the six months ended June 30, 2020. As of June 30, 2020, our total cash and cash equivalents and restricted cash together amounted to RMB120,855.4 million (US$17,106.0 million), while our total current borrowings amounted to RMB140,622.8 million (US$19,903.9 million). We believe our prudent cash flow management and strong liquidity will enable us to further expand in our target markets, provide us with greater flexibility in capital management and help us sustain long-term growth.

In addition, we have a diversified financing channels to optimize capital structure and liquidity. We tap into a variety of funding sources, including bank loans, property trusts, equity issuance and debt offerings. We have cultivated strong relationships with both PRC and overseas banks, which has significantly improved our financing efficiency. We believe we were one of the very few property developers in China that obtained direct lines of credits from headquarters of major PRC banks, including Industrial and Commercial Bank of China, Agricultural Bank of China, Bank of China, China Construction Bank, Ping An Bank, China CITIC Bank, China Bohai Bank, China Merchants Bank, Shanghai Pudong Development Bank, China Zheshang Bank, China Guangfa Bank, China Minsheng Banking Corp., Ltd and Industrial Bank.

**Business Strategies**

We intend to implement the following business strategies in order to achieve our goal of becoming a leading property development company in China providing high-quality products and services to medium to high-income target customer segments:

***Reinforce and strengthen our position in first-tier and core second-tier cities***

We intend to focus on first-tier and core second-tier cities, which are economically developed and populated with a significant number of medium to high-income potential customers with strong purchasing power. After years of property development operations in our target cities, we, through our subsidiaries and associates, have developed significant competitive strengths in most of the cities in which we operate. We intend to continue to aim to become a leading property developer in each of our target cities in order to capitalize on what we expect to be the significant demand in those cities and enhance our return on investment. We intend to continue to adopt a focused and disciplined approach in expanding our business by:

- prioritizing the development of our current projects, which we believe have significant potential for premium pricing and high investment return. We believe that with the experience and customer base we have gained from the development of the earlier phases of these projects, we should be able to execute our project development plan more effectively in the future, thus helping us significantly enhance our profits and investment return for these projects;

- leveraging our experience in our current target cities, our understanding of our target customers, and our strong relationships with local governments and other business partners, to acquire new parcels of land and develop new projects in these regions; and

- remaining open to potential opportunities in other cities in China, while solidifying and enhancing our position in our current target cities, to increase our geographical diversification and broaden our revenue base. In selecting and entering a new city, we intend to focus on cities within the regions we operate in to fully leverage our management experience and established strengths in such regions. In addition, we may carefully consider cities with substantial potential for development in other regions.

In selecting a geographical market, we generally consider the growth potential and the stage of economic development of the city, the capital requirements and anticipated profitability of the particular projects involved, the distribution of target customers, our understanding of the local market and regulatory environments, as well as the availability of local management and sales talent.

***Maintain a high-quality land bank in a disciplined manner via diverse channels***

We intend to obtain information on land acquisition opportunities via diverse channels and conduct detailed analysis of such information. In assessing a particular site, we typically consider both the return on investment and the strategic positioning of the potential project in order to select and acquire land parcels that suit our development needs and provide substantial investment returns. We believe maintaining a high-quality land bank at reasonable cost will assist us in prudently managing our cash flow and business operations while continuing to grow our business. This is especially important when we encounter material changes in government policies, laws, regulations and industry or market trends. In particular, our land bank strategies include:

- acquiring land in superior locations within central areas and close to distinct landmarks in relevant cities, taking into account the development prospects of the land site, the concentration of medium to high-income potential customers and the market positioning of the potential project; we believe the selection of location is important for achieving premium pricing under various market conditions and may help mitigate declines in property prices when the property market weakens;

- acquiring an optimal amount of land reserves appropriate for future development over a period of four to five years on a rolling basis, which we believe is appropriate for medium to long-term planning without compromising our operational flexibility; and

- using a variety of channels, as well as our experience, market understanding and industry knowledge, to acquire land at reasonable cost, including, for example, by (i) acquiring interests in land from government entities through public tenders, auctions and listings-for-sale; (ii) purchasing from existing non-governmental land interest holders pursuant to land transfer agreements; and (iii) establishing joint ventures with companies which have acquired or are well-positioned to acquire interests in land or acquiring equity interests in other companies engaged in property development.

***Focus on delivering high-end and high-quality products and services to medium to high-income customers and maintain our fast turnover business model***

Our property development operations comprise project planning and design, construction, marketing and sales, and property management. We engage in or supervise each of these operations in order to assure the quality of our products and services. In carrying out our property development activities, our group headquarters centrally coordinate the planning of projects and implements standardized management, and our project companies work toward refining the detailed implementation plans based on local market and customer characteristics.

Our product strategy, in general, is to offer medium to high-income customers high-end and high-quality products that suit their needs. We intend to continue to, among other things:

- incorporate our understanding of the needs of our medium to high-income target customers into the planning of our projects, including such areas as community style, supporting facilities, property configurations and structures, marketing plans and service standards;

- focus on design as a core component of product quality to allow us to deliver high-quality products;

- maintain strict quality control of construction and product standards, which our customers may directly perceive, thereby to not only meet the standards set for the current positioning of a project but also achieve higher standards to provide differentiated product offerings; and

- pay meticulous attention to details as we believe refining product details is key to achieving high-end and high-quality products.

By executing this product strategy and leveraging our high-quality land bank, we intend to further upgrade our products and increase our offerings of properties that can be marketed at premium prices with respect to our selected projects. In order to achieve our product strategy as mentioned above, we intend to further strengthen our core competency in various parts of our property development operations. In terms of design, while we continue to enhance our design, research and development capabilities, we have been working with established design firms and architects to build long-term strategic partner relationships; we also have a specialized team at our group headquarters to take charge of key areas in research and development to build our knowledge base and skill set. In terms of construction, we intend to balance the needs of general and specialty contractors and continue to partner with established suppliers; we also endeavor to assure high quality of landscaping, interior design and other parts of our projects while maintaining control of the overall quality and costs. In addition, we intend to provide differentiated property management services as a key part of our product strategy and intend to promote caring and specialized property management services, such as providing distinctive services or organizing special activities based on our customer needs, to certain of our properties.

We are committed to maintain our fast turnover business model by improving our operational efficiency and shortening the average project cycle from project procurement to the commencement of construction. Our core capabilities such as prime land acquisition, quality products, post-sales service, brand reputation, profitability and safe cash flow in creating an integrated operating platform further supports our fast turnover business model.

***Further strengthen our brand recognition and enhance our brand influence among our medium to high-income target customers***

We believe that a strong brand is a significant factor in our success. We intend to continue to promote our brand name by focusing on quality and innovation, providing good after-sales and property management services, and engaging in marketing initiatives such as advertising campaigns. We intend to continue to enhance the recognition of and loyalty to our "Sunac" corporate brand among existing and potential customers. To reflect our brand value and spirit, we have set our brand positioning as "passion for perfection" (致臻,致遠). We, through our subsidiaries and associates, use the "Sunac" corporate brand in all our projects and enhance our brand and image by establishing landmark projects in our target cities.

We believe a strong brand helps us quickly sell or lease properties at premium prices, thereby significantly increasing our return on investment. In order to achieve premium pricing, we intend to continue to deliver high-quality products and services to further enhance our customer satisfaction. In particular, we intend to continue to:

- conduct market research and leverage our experience to meet the needs and preferences of our target customers;

- leverage our prior experience and research to guide and help our recently acquired property management companies and relevant third-party property management companies to deliver enhanced after-sale services to our purchasers and tenants; and

- promote our "Sunac" corporate brand as well as the project brand in connection with each project, through a selection of marketing initiatives including advertising on a variety of media, such as television, newspapers and billboards.

***Strategically and selectively diversify our business with a focus on property development***

While we will continue to focus on the property development industry, we plan to strategically and selectively invest in other industries with high growth potential through acquisition or minority investments. For example, we entered into a series of agreements to become a beneficiary owner of equity interests in Leshi Internet, Le Vision Pictures and Lerong Zhixin in 2017. On July 19, 2017, Sunac Real Estate entered into an equity transfer agreement with Dalian Wanda Commercial Properties to acquire Dalian Wanda Commercial Properties' 91% equity interest in 14 cultural and tourism project companies in the PRC. We target to invest in companies with a relatively large size, reputable management team and competitive advantages. We plan to develop and diversify our business with a focus on property development and a supplement by strategic and selective investments in industries with high growth potential to explore alternative revenue sources and to enable a sustainable growth in the future.

***Continue to enhance our corporate governance, internal control, cash flow management and human resources practices***

We intend to continue to adopt best practices and industry standards for corporate governance and internal control, and to continue to draw on our senior management's expertise and experience to facilitate our operations. For the 18 months after our initial public offering in October 2010, we had engaged Protiviti Shanghai Co., Ltd., a third-party internal control advisor specializing in risk advisory and internal control related services, to periodically review and enhance our internal control systems. We plan to seek further external professional advice with regard to corporate governance and internal control matters. We intend to enhance our internal management by maintaining well defined responsibilities of each operating unit to ensure orderly and efficient operations and rapid responses to changing market conditions. We have been revamping our corporate management software and rolling out a comprehensive and integrated group-wide enterprise resource planning (ERP) system covering the entire project development value chain and project life cycle in order to enhance the efficiency, effectiveness and standardization of our operational management systems, thereby further supporting our business growth. The integration of core financial, business and human resources applications of the ERP has been successfully implemented, which has helped remove information barriers within our organization resulting in a more comprehensive, transparent and effective information platform. We have also been setting up an integrated operational analysis business intelligence system which helps us monitor our business operations, analyze and identify discrepancies and trends in operational issues to achieve pro-active intervention and faster analysis and decision-making. We have also introduced a cloud management system with intelligent terminals to allow mobile office functions and improve business efficiency. We aim to enhance our overall financial and cost control while preserving flexibility and efficiency at the project level.

In addition, we intend to continue to enhance our cash flow position by remaining cautious in our decision making with respect to operations and investments, for example, decisions as to whether to enter a new city, which new city to enter, how much land to acquire, how to acquire a particular parcel of land, when to launch pre-sales and execute sales, and what payment terms to agree to for our payables. We also intend to carefully manage our financing position and our proceeds from pre-sales and sales to maintain an adequate liquidity level and to explore a range of financing sources to maintain the availability of low-cost capital. Furthermore, we seek to further refine our internal evaluation and reward system to promote professionalism, initiative and team spirit among our employees and to cultivate our corporate culture. We also plan to continue to actively recruit new talent to optimize our human resources and enhance the productivity and competitiveness of our workforce.

## Recent Developments

***Spin-Off and Separate Listing of Our Property Management Business***

On November 19, 2020, the Hong Kong Stock Exchange granted the listing of, and permission to deal in, the shares of Sunac Services, our subsidiary, on the main board of the Hong Kong Stock Exchange. The spin-off and separate listing of Sunac Services was conducted by way of the global offering and the distribution of a minor portion of its shares to the shareholders of our Company. Sunac Services and its subsidiaries are principally engaged in the provision of property management services, value-added services to non-property owners and community value-added services. After the spin-off, Sunac Services and its subsidiaries, together with Sunac Services' direct parent company, Sunac Services Investment Limited, and other related subsidiaries, remain as our subsidiaries and have been designated as

Unrestricted Subsidiaries (as defined in the "Description of the Notes"). See "Risk Factors — Risks Relating to the Notes — We may designate any Restricted Subsidiaries to be Unrestricted Subsidiaries subject to the conditions set forth in the Indentures and after such designation, those subsidiaries will not be subject to various covenants under the Indentures."

***Issuance of senior notes***

On July 9, 2020, we issued the July 2023 Notes and the July 2025 Notes. See "Description of Other Material Indebtedness."

On August 3, 2020, we issued the August 2024 Notes. See "Description of Other Material Indebtedness".

On December 1, 2020, we issued the additional July 2025 Notes and the Additional August 2024 Notes. See "Description of Other Material Indebtedness."

On January 26, 2021, we issued the Existing 2024 Notes and the January 2026 Notes. See "Description of Other Material Indebtedness."

***Full repayment of the August 2020 Notes***

On August 8, 2020, the August 2020 Notes matured and were fully repaid by us.

***Repurchase of a Portion and full repayment of January 2021 Notes***

On December 8, 2020, we completed the offer to purchase the January 2021 Notes and after cancellation of the January 2021 Notes repurchased pursuant to the offer, an aggregate principal amount of approximately US$242.9 million of January 2021 Notes remains outstanding. On January 15, 2021, the January 2021 Notes matures and were fully repaid by us.

***Full redemption of the February 2022 Notes***

On February 22, 2021, we fully redeemed the February 2022 Notes.

***Land acquisition***

Subsequent to June 30, 2020, we entered into certain agreements in relation to the purchase of land parcels. The following table sets forth certain information concerning such land parcels, which are acquired for future development:

| Region | Total site area | Estimated aggregate GFA |
|---|---|---|
| | (sq.m.) | (sq.m.) |
| Beijing | 196,487 | 1,002,282 |
| Northern China | 440,326 | 986,040 |
| Shanghai | 136,372 | 348,197 |
| Southwestern China | 4,429,632 | 6,978,077 |
| **Total** | **5,202,817** | **9,314,596** |

***Impact of COVID-19 Pandemic***

The COVID-19 pandemic which began at the end of 2019 has affected millions of individuals and adversely impacted national economies worldwide, including China. On March 11, 2020, the World Health Organization (the "WHO") declared COVID-19 outbreak a global pandemic. Lockdowns and travel restrictions were imposed on numerous cities in China and the world as part of various governments' efforts to curb the spread of COVID-19. The COVID-19 outbreak has affected our business operation and financial condition. During the three months ended March 31, 2020, our revenue and contracted sales declined as compared to the corresponding period in the prior year due to the impact of COVID-19. However, the PRC central and local governments have taken various measures to manage cases and reduce potential spread and impact of infection, and further introduced various policies to boost the economy and stimulate the local property markets.Since April 2020, China and some other countries gradually lifted stay-at-home orders and began to resume work and school at varying levels and scopes. As a consequence, we experienced a recovery in our contracted sales in April 2020.

As of the date of this offering memorandum, our overall property development activities had generally progressed in accordance with our plan. For more discussions on the potential impact from the outbreak on us, see "Risk Factors — Risks Relating to Our Business — The national and regional economies may be adversely affected by natural disasters, severe weather conditions, epidemics, pandemics, acts of war and political unrest, which are beyond our control and which may cause damage, loss or disruption to our business."

## Property Development

### *Overview of Our Property Development Business*

Our business primarily focuses on the development of integrated residential and commercial properties, offering a wide range of products including high-rise apartments, mid-rise apartments, townhouses, detached villas, retail properties, offices, serviced apartments and parking spaces. As of June 30, 2020, we, through our subsidiaries and associates, had 749 property development projects in selected cities in China. The projects are located in 26 cities in the southwestern China region, 14 cities in the northern China region, 21 cities in the Shanghai region, 18 cities in the Beijing region, 21 cities in the southeastern China region, 11 cities in the central China region and 21 cities in the southern China region.

We include in this offering memorandum the project names which our subsidiaries and associates have used, or intend to use, to market our properties.

The following table sets forth the saleable/rentable GFA data relating to our completed properties, properties under development and properties held for future development by region, including those for which we had not obtained the land use right certificates, based on actual data or our estimates as of June 30, 2020.

| | Saleable/rentable GFA | | | |
|---|---|---|---|---|
| | Completed | Under development | Future development | Total |
| | (sq.m.) | (sq.m.) | (sq.m.) | (sq.m.) |
| Region | | | | |
| Beijing | 3,156,525 | 27,742,184 | 12,510,257 | 43,408,965 |
| Northern China | 3,753,072 | 27,912,226 | 10,747,431 | 42,412,729 |
| Shanghai | 2,910,556 | 15,685,806 | 3,875,659 | 22,472,022 |
| Southwestern China | 5,924,999 | 31,906,327 | 24,756,627 | 62,587,953 |
| Southeastern China | 2,641,809 | 19,857,189 | 5,890,036 | 28,389,034 |
| Central China | 1,061,369 | 13,266,014 | 12,922,752 | 27,250,135 |
| Southern China | 2,212,701 | 11,416,161 | 7,601,048 | 21,229,911 |
| **Total** | **21,661,031** | **147,785,907** | **78,303,810** | **247,750,748** |

Land use right certificates are the legal certification of the right of a party to use a parcel of land and are required to perfect the title of holders of property interests in land in the PRC. In general, upon the payment of land grant fees to the relevant land authorities, land use rights in the PRC are granted on the relevant land parcels for a term of 70 years for residential properties, 40 years for commercial properties and 50 years for comprehensive-use properties. As of the date of this offering memorandum, our subsidiaries have obtained the land use right certificates for all completed properties held for sale or for investment, all properties under development, and all properties held for future development except for certain land parcels held for future development, for which we had entered into a confirmation with the relevant land authority but had neither entered into land grant contracts with the relevant land authorities nor obtained the land use right certificates.

### *Status of Our Projects*

We categorize our properties into three types according to their stage of development:

- *Completed properties.* The development of a property is treated as completed when our subsidiary or associate has received the certificate of completion from the relevant local government authorities in respect of the property development;

- *Properties under development.* A property is treated as under development as soon as our subsidiary or associate has received the construction permit from the relevant local government authorities with respect to the property development but prior to the issuance of the certificate of completion; and

- *Properties held for future development.* A property is treated as held for future development when our subsidiary or associate has acquired and holds interests in the land relating to the property development, regardless of whether it has obtained the land use right certificates in respect thereof, but prior to the issuance of the construction permit. As such, our properties held for future development generally comprise land for which we have obtained the land use right certificates and, from time to time, also include land for which we have entered into a land grant contract but have yet to obtain the land use right certificates.

In relation to each category of properties in a project, we often refer to the following key times:

- the commencement time, which is the earliest time our subsidiary or associate starts, or plans to start, the construction of any properties in respect of the category;

- the pre-sale time, which is the earliest time our subsidiary or associate begins, or plans to begin, the sale of any properties in respect of the category prior to their completion; and

- the completion time, which is the latest time our subsidiary or associate obtains, or plans to obtain, the certificate of completion upon the completion of the last properties in respect of the category.

Typically, a project comprises multiple phases of property development on a rolling basis and each phase comprises multiple blocks or types of properties. Therefore, a project or a phase may simultaneously include properties in more than one of the three categories above.

A property is considered sold when revenue is recognized from the sale or pre-sale of the property upon the delivery of the property. A property is pre-sold when our subsidiary or associate has executed the pre-sale contract but has not yet received the certificate of completion. A property is delivered to the customer upon, among other things, (i) full payment by the customer, and (ii) the property being completed, inspected and accepted as qualified and the certificate of completion being received. The figures for completed GFA that appear in this offering memorandum are based on figures provided in the relevant government documents. The following information that appears in this offering memorandum is based on our internal records and estimates: figures for planned GFA under development, planned GFA for future development, GFA sold, GFA pre-sold, saleable GFA and non-saleable GFA, information regarding total development costs incurred (including land costs, construction costs and capitalized finance costs) and estimated future development costs (including land costs, construction costs and capitalized finance costs), planned construction period and number of units. The actual figures and construction schedules may differ from our current estimates in the future. The information setting forth the construction period for the completed phases of our projects in this offering memorandum is based on relevant government documents or our own internal records.

The following table sets forth certain information relating to our completed properties, properties under development and properties held for future development by region, including those for which we had not obtained the land use right certificates, based on actual data or our estimates as of June 30, 2020 unless otherwise stated.

| Region | Total site area[1] | Saleable area[1] | Total land bank | Land bank attributable to us |
|---|---|---|---|---|
| | ('000 sq.m.) | ('000 sq.m.) | ('000 sq.m.) | ('000 sq.m.) |
| Beijing Area | 23,242 | 39,785 | 43,389 | 29,131 |
| Northern China | 22,902 | 36,835 | 42,393 | 28,368 |
| Shanghai | 18,759 | 19,932 | 22,472 | 12,114 |
| Southwestern China | 39,764 | 57,737 | 62,558 | 40,225 |
| Southeastern China | 13,269 | 23,448 | 28,470 | 18,037 |

| Region | Total site area[1] | Saleable area[1] | Total land bank | Land bank attributable to us |
|---|---|---|---|---|
| | ('000 sq.m.) | ('000 sq.m.) | ('000 sq.m.) | ('000 sq.m.) |
| Central China | 12,230 | 23,484 | 27,247 | 14,937 |
| Southern China | 9,858 | 18,735 | 21,230 | 15,263 |
| **Total** | **140,024** | **219,955** | **247,758** | **158,075** |

*Notes:*

(1) There is no material decrease in total site area, estimated aggregated GFA and saleable area of completed properties, properties under development and properties held for future development as of the date of this memorandum.

## Project Management

We conduct our project development operations primarily through certain of our subsidiaries and associates. These companies are responsible for the day-to-day operations of our projects, while our group headquarters generally oversees and supports each of these companies and participates in the making of significant decisions for the projects. We established this management structure primarily because of the importance of local market conditions and other local factors to the property development industry in China. We believe this management structure is key to our internal controls and helps enhance our work efficiency.

We have established several departments at our headquarters, including the market research center, project management department, cost management center, marketing center, property management department, finance management center, accounting management department, investment and development department, product center, capital management department, risk management department, legal affairs department, human resources center and general administration department to oversee, support and facilitate the operations of each of our subsidiaries and associates in various areas. These include project bidding, product positioning, design, cost planning, public tenders, contract preparation, construction, marketing and sales, property management and other after-sales services and support, financing, legal matters, human resources and other daily operations.

We pay special attention to certain decisions or actions in our business process that could significantly affect our operating results. These key decisions or actions relate to land acquisition, project positioning, performance indicators, project design, marketing strategies, pricing management, target cost management, selection of general construction contractors, quality control, ancillary facilities planning, pre-move-in inspection and property management. The senior management of our group headquarters and the senior management of our subsidiaries and associates, through holding discussions or meetings, review and make decisions on such key decisions or actions. With respect to our associates, certain of these key decisions are subject to approval of their board of directors. We also intend to strengthen the day-to-day management of our companies through inspections and audits to enhance the effectiveness of our operational management. In addition, our group headquarters exercises vertical management over the financial teams of our operating subsidiaries, appointing the deputy financial director and the manager directly for each of them and determining the compensation of these executives. We believe this can help enhance the internal control of our financial management and daily operations of our projects.

At the local project level, our subsidiaries and associates are responsible for the day-to-day project development operations. These companies generally establish their Development Department, Planning and Design Department, Sales Department, Project Development Department, Construction Department, Cost Planning Department, After-sales Services Department, Finance Department and General Administration Department. These departments are supported by and report to the corresponding departments at our group headquarters.

**Company Awards**

In recent years, we have won many awards for our significant achievements in the property sector nationwide or region-wide, including:

- In 2019, we were recognized as one of the top 10 real estate developers in China (2019年中國房地產開發企業10強);
- In 2019, we ranked the first in terms of "Chinese Real Estate Company's Product Power" for 2019 (2019年中國房企產品力第一名);
- In 2019, we were recognized as one of the "Best Chinese Real Estate Companies to Work For in 2019" (2019年中國房地產最佳僱主企業);
- In 2019, we were recognized as the "Property Management Company in China with Leading Brand for Quality Service" (2019年中國物業品質服務領先品牌企業);
- In 2018, we were recognized as one of the "Best Chinese Real Estate Company to Work For in 2018" (2018中國房地產最佳僱主企業);
- In 2018, we were recognized as a "Leading Company in Chinese Real Estate Branding of 2018" (中國房地產行業領導公司品牌);
- In 2018, we were recognized as one of the "2018 China Blue Chip Real Estate Developers" (2018年度中國藍籌地產企業);
- In 2018, we ranked the fifth among the top 10 real estate developers in China (2018中國房地產開發企業十強第五名);
- In 2018, we ranked the fourth among the top 10 real estate developers of comprehensive development in China (2018中國房地產開發企業綜合發展十強第四名);
- In 2018, we ranked the fifth among the top 10 real estate developers of comprehensive strength in China (2018中國房地產開發企業綜合實力十強第五名);
- In 2018, we ranked as one of the top 10 real estate developers of development in China (2018中國房地產百強企業成長TOP 10);
- In 2017, we ranked eighth among the top 10 real estate developers in China (中國房地產開發企業10強第8名);
- In 2017, we ranked eighth among the top 10 real estate developers of comprehensive strength in China (中國房地產開發企業綜合實力10強第8名);
- In 2017, we ranked fourth among the top 10 real estate developers of comprehensive development in China (中國房地產開發企業綜合發展10強第4名);
- In 2017, we ranked among the top 100 real estate companies in China (中國房地產卓越100 榜) and top 30 listed real estate companies in China (中國房地產上市企業30強) by www.guandian.cn.
- In 2016, we ranked seventh among the top 10 real estate developers of comprehensive strength in China (中國房地產開發企業綜合實力10強第7名);
- In 2016, we ranked fifth among the top 10 real estate developers of comprehensive development in China (中國房地產開發企業綜合發展10強第5名);
- In 2016, we ranked among the most influential real estate companies in China (中國最具影響力地產企業);

- In 2016, we ranked among the top 10 brand value of real estate developers in China (中國房地產品牌價值top 10);

- In 2016, our Beijing One Sino Park (北京一號院) received a special contribution prize to luxury real estates market (豪宅特別貢獻獎);

- In 2016, our Suzhou Fairy Land (蘇州桃花源) ranked among the most expensive luxury real estates in the world (全球最貴豪宅);

- In 2016, our Beijing One Central (北京使館一號院) ranked among the luxury real estates showcase works in Beijing (北京豪宅示範作品);

- In 2016, our Suzhou One Park (蘇州一號院) ranked among the top 10 luxury real estates in Asia (亞洲十大豪宅);

- In 2016, our Beijing Glory Chateau (北京紫禁一號院) received the Jinding Prize for luxury real estates (豪宅金鼎獎);

- In 2016, our Hefei One Central (合肥一號院) ranked among the top 10 brand value of the high-profile real estate projects in China (中國房地產高端項目品牌價值top 10);

- In 2016, our Wuhan Hopsca Center (武漢融創中心) received the award for urban innovation in China (中國城市推動大獎);

- In 2015, we ranked eighth among the top 100 excellent real estate companies in China (中國房地產卓越100榜第8名), sixth among the list of excellent brand value (品牌價值卓越榜第6名) and second among the list of excellent management and teams (管理與團隊卓越榜第2名);

- In 2015, we ranked among the top 20 value of the PRC real estate companies listed in Hong Kong (中國房地產價值榜 — 中資港股top 20);

- In 2015, we ranked among the best real estate enterprises in China at creating benefits from productivity (中國房地產年度紅榜 — 最善於用產品力創造效益的企業);

- In 2015, we were named as one of the real estates companies which are institutional investors' first choices in China (中國機構投資者首選房企);

- In 2015, we ranked among the top 10 real estate developers of comprehensive development in China (中國房地產開發企業綜合發展10強);

- In 2015, our Beijing Glory Chateau (北京紫禁一號院) ranked among the top 10 luxury real estates in China (中國年度十大豪宅);

- In 2015, our Chongqing Hastin Avenue (重慶白象街) ranked among the commercial properties with the best urban value (中國最佳城市價值商業樓盤);

- In 2015, our Chongqing Rose Garden (重慶玫瑰園) received Jinshi Prize for the best construction in China under the category of excellent planning and designing (中華建築金石獎 — 卓越規劃設計類);

- In 2015 and 2016, we received the prize for Chinese blue chip real estate companies (中國藍籌地產獲獎企業); and

- In 2015 and 2016, we were ranked among the best employers among the real estate companies in China (中國房地產最佳僱主企業).

## Project Development

In developing a project, we follow a systematic process of planning and execution while seeking to maintain a high degree of flexibility in order to accommodate new developments in the fast-evolving business and regulatory environment of China's property market. Although each project development is unique and is designed to cater to the preferences of specific target markets, the description below summarizes the major stages involved in developing properties for sale.

### *Land Selection and Acquisition*

*Site Selection*

Site selection is one of the most important and fundamental steps in the property development process. An experienced team composed of our Chief Executive Officer, representatives from the Research and Development Center and Sales Management Department at our group headquarters, and the general manager and other representatives of the Development Department of our relevant local company is responsible for identifying sites for prospective property development in each of our focus regions. We generally consider the following criteria, among others, when deciding whether to pursue a site at a particular time:

- the prevailing macroeconomic conditions and governmental policies of the city in which the site is located;
- the potential of the local property market in which the site is located;
- the geographic location, project scale, accessibility to transportation, environment, supporting infrastructure and public facilities of the site;
- the supply and demand and other market conditions of surrounding markets; and
- the projected cash flow arrangement, costs, pricing and return on investment in respect of the project.

Site selection also involves many other departments. In general, each of the Development Department, Sales Department and Planning and Design Department of our relevant subsidiary will assist in the site identification process by performing research and analysis relating to the market trends and conditions and completing a market positioning report. The Sales Management Department and Research and Development Center at the group headquarters will also be involved if we are considering entering a new city. The Planning and Design Department of our subsidiary will then prepare a planning and design proposal based on the market positioning report and provide it to the design firm we selected. The Cost Planning Department will prepare the cost calculation, and the Finance Department will assess the anticipated cash flow and profits. The Development Department will then prepare a preliminary feasibility study and report the results to the Chief Executive Officer's office, after which, if the study is well-received, the Chief Executive Officer's office will become more actively involved in inspecting and assessing the land site. Lastly, the Chief Executive Officer will present to our board of directors a final proposal on the acquisition and development of the relevant land parcels and seek its approval.

*Land Acquisition*

We use and plan to use a variety of channels to acquire land interests, which include:

- acquiring from governments through public tenders, auctions and listing-for-sale;
- purchasing from existing non-governmental land-interest holders pursuant to land transfer agreements;
- establishing joint ventures with companies which have acquired or are well-positioned to acquire interests in land or acquiring equity interests in other companies engaged in property development;
- investing in or taking over under-valued companies which have acquired interests in land; and
- selectively seeking primary land development opportunities from local governments, by which we believe we can gain important insight into the land parcels and the related government development plans and therefore be better positioned to successfully acquire the land in the subsequent public tender, auction or listing-for-sale process.

In addition to the above channels, we also acquired land interests in the past through land grant from the government pursuant to agreements entered into directly with the relevant government authority. In July and August 2003, our subsidiary, Tianjin Sunac Zhidi Co., Ltd. ("Sunac Zhidi"), acquired the land interests in connection with the Sunac Mind-Land International and Sunac Joy Downtown projects, respectively, pursuant to land grant contracts entered into directly with the Planning and State-Owned Land and Resources Bureau of Tianjin Municipality. On March 31, 2004, the MLR of the PRC and the Ministry of Supervision of the PRC issued the Notice Regarding Supervision Work of Legal Enforcement Situation of Granting Business Land Use Rights Through Tender, Auction or Listing-for-Sale (關於繼續開展經營性土地使用權招標拍賣掛牌出讓情形執法監察工作的通知), which requires that effective from August 31, 2004, land designated for business purposes shall be granted through tender, auction or listing-for-sale and may not be granted pursuant to agreements entered into directly with local governments for any historical reasons. We therefore no longer rely on land grant contracts with the government as one of our land acquisition channels.

In conjunction with the acquisition of land interests from the PRC government, property developers in the PRC are required to pay a land grant fee to the relevant government authority and apply for the land use right certificate in relation to the land interests. See also "— Overview of Our Property Development Business" for information relating to certain land parcels for which we have not obtained the land use right certificates.

*Project Financing*

Our financing methods vary from project to project. Pursuant to the Guidance on Risk Management of Property Loans of Commercial Banks (商業銀行房地產貸款風險管理指引), issued on August 30, 2004, a property developer applying for property development loans must have, as its own working capital, at least 35% of the capital required for the development of the project. We are therefore required to fund at least 35% of our property developments with internal resources. On June 5, 2003, the PBOC published the Notice on Further Strengthening the Management of Loans for Property Business (中國人民銀行關於進一步加強房地產信貸業務管理的通知), which prohibits commercial banks from advancing loans to fund the payment of land grant fees. As a result, we may use only our own funds to pay for land grant fees. Following the Opinion on Adjusting the Housing Supply Structures and Stabilizing House Prices (關於調整住房供應結構穩定住房價格的意見) promulgated by the State Council on May 24, 2006, the credit conditions on property development became further regulated to deter property developers from using bank loans to accumulate land. Pursuant to these regulations, commercial banks in the PRC were not permitted to provide loans to property developers failing to meet loan conditions, such as having less than

35% of the project capital required for development, and commercial banks had to require property developers to obtain land use right certificates and have at least 35% of the project capital required for a development prior to a loan grant. In May 2009, the State Council issued the Notice on Adjusting the Proportions of Registered Capital in Fixed Asset Investment Projects, which has lowered the minimum capital ratio for commercial and high-end residential property projects from 35% to 20%.

On November 12, 2010, the CBRC issued the Notice on Risk Alert for Trust Companies' Real Estate Business (關於信託公司房地產信託業務風險提示的通知) to require all trust companies to conduct self-examination immediately on the compliance risk of the real estate trust business. Business compliance and risk exposure shall be analyzed on a case-by-case basis, including whether the real estate development projects to which loans were issued by trust companies have satisfied the conditions such as the availability of all the "Four Permits" (namely, the land use rights certificate, construction land planning permit, construction work planning permit and construction work commencement permit), whether the real estate developer or its controlling shareholder have obtained class 2 qualification in accordance with the Provisions on Administration of Qualifications (房地產開發企業資質管理規定) described in "Regulation — Qualifications of a Property Development Enterprise 房地產開發企業資質 — Classifications for the qualifications of property development enterprises" and whether capital ratio of the project has reached the national minimum requirement. All banking regulatory bureaus shall strengthen compliance supervision and risk control over real estate business of trust companies within their jurisdiction. If problems are discovered during self-examination and inspection, measures shall be taken immediately to order the trust company for rectification and noncompliance behavior shall be penalized in accordance with the relevant rules and regulations.

On February 14, 2017, the Asset Management Association of China issued the Administrative Rules for the Filing of Private Equity and Asset Management Plans by Securities and Futures Institutions No. 4 — Investment in Real Estate Developers and Projects by Private Equity and Asset Management Plans (證券期貨經營機構私募資產管理計劃備案管理規範第4號 — 私募資產管理計劃投資房地產開發企業、項目), or the "Rule 4". Rule 4 provides that the Asset Management Association of China will temporarily suspend accepting any private equity and asset management plan which makes a direct or indirect investment in any ordinary residential property project located in specified cities where the property prices are considered to have risen too fast, including Beijing, Shanghai, Guangzhou, Shenzhen and Xiamen. In addition, a private equity and asset management plan shall not be used to finance any real estate developer, whether in the form of bank entrusted loans, trust plans or transfers of beneficial interests in assets, for the purpose of acquiring land use rights or supplementing working capital, or be used to directly or indirectly facilitate any illegal margin loans for down payments.

Historically, we have financed our operations by relying primarily on project loans and other financing facilities from PRC banks and trust companies, internally generated cash flows (including proceeds from the pre-sale and sale of properties), capital raised from exchangeable bond investors, trust financing, and proceeds from equity and debt issuances in the domestic and international capital markets. We intend to continue relying on some or all of these sources of funding in the future and may also obtain loans and other financing facilities from offshore banks and raise further capital by issuing additional debt securities.

See "Risk Factors — Risks Relating to Our Business — We maintain a high level of indebtedness to finance our capital intensive business, and we may not have adequate cash flow to fund our operations or to service our financing obligations."

***Project Design***

Project design is a critical step of the project development process. It typically takes approximately six months to develop the market positioning and design of a project. First, the Sales Department and Planning and Design Department of our companies are responsible for researching the needs of our target customers and determining the market positioning of each project accordingly. Such research is instrumental in achieving a competitive design that not only appeals to our target customers but also caters to their needs. The Planning and Design Department of our companies will then prepare the detailed

timetable for the design process, determine the design budget and prepare the plan for selecting a design firm, all of which are subsequently reported to the Research and Development Center at our group headquarters for approval. The Research and Development Center is responsible for running meetings to discuss and review the project positioning, planning and design of a project.

The Planning and Design Department of our companies is responsible for leading and managing the design process of the particular project. In general, it outsources the design work to reputable Chinese and international design firms, such as GAD, GOA, HMD and AAI, which are generally third-party firms independent from us. Throughout the design process, the Planning and Design Department will work closely with such outside firms and monitor their work to ensure the project design meets our quality standards and reflects our desired market positioning of our products. During the construction stage, our professional engineers at the Planning and Design Department will also closely monitor the quality of property products to ensure the proper execution of the design plan.

***Pre-construction Planning***

*Regulatory Approvals*

According to PRC regulations, once we have obtained the interests in land for the development of a project, we must obtain various government approvals in order to commence the planning and construction of the properties. In particular, we have to apply for and obtain the following permits before construction may commence:

- Construction land planning permit, which allows a developer to conduct the survey, planning and design of a parcel of land;
- Construction works planning permit, which allows a developer to perform the overall planning and design of a project and to apply for a construction permit; and
- Construction permit, which is required for the commencement of construction.

*Procurement*

We centrally procure certain supplies in bulk for all of our projects, including primarily air-conditioners, elevators and paint. The Project Management Department at our group headquarters is responsible for the centralized procurement of these supplies through the process of public tenders. It typically solicits price quotes from at least three well qualified suppliers and selects a shortlist of suppliers meeting our requirements after multiple rounds of discussions and bid revisions. It will then select the winning bidder based on the selection criteria set forth in the request-for-tender document. The Project Management Department will also finalize the prices, payment terms, delivery arrangement and other terms with the winning bidder. We believe that our centralized procurement procedures enable us to benefit from economies of scale as well as stronger bargaining power, thereby lowering our costs and delivering better value to our customers.

Our construction contractors are generally responsible for procuring construction materials themselves, including, for example, steel, cement, sand and stone.

***Construction***

Project construction commences once we obtain the construction permit for a project. Construction is usually the longest step of the project development process, taking up to 15 to 20 months or longer, based on the types of properties developed. In general, we outsource our construction work entirely to independent third parties. In 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020, approximately 11.9%, 35.6%, 12.3%, 16.4% and 5.7%, respectively, of our total purchases were attributable to our five largest construction contractors and approximately 3.0%, 17.8%, 6.5%, 9.6% and 18.0%, respectively, of our total purchases were attributable to our largest construction contractor. "Risk Factors — Risks Relating to Our Business — We rely on independent contractors."

The Construction Department and Cost Planning Department of our companies coordinate with each other to review the bidding proposals and select the winning contractors for each project, and report to our group headquarters for approval. Upon the commencement of construction for each project, the Construction Department of the relevant company becomes responsible for managing the day-to-day operations of the contractor, monitoring the work progress and maintaining quality control. The Construction Department continually monitors the progress and quality of construction to maintain quality control and effective execution of the construction plan. The Cost Planning Department also monitors the construction activities to maintain effective control over costs.

***Cost Control***

We have a disciplined approach to cost management. Our management team and each project team closely manage and monitor each stage of our project developments in order to maximize capital and cost efficiency:

- *Design, procurement and construction.* We have implemented a standardized operational model for design and material procurement. We select our third-party contractors and suppliers of equipment and materials through a tender process, taking into consideration their track record performance, work quality, proposed delivery schedules and costs in our selection process. Through such a selection process, we seek to maintain our construction costs at a reasonable level without compromising quality. We are able to limit construction cost through our centralized tender process, and significantly reduce material and equipment cost through economies of scale and centralized procurement.

- *Sales and marketing.* Based on the requirements of each project, we may establish a marketing budget for the relevant project. We seek to effectively manage our budgeted sales and marketing expenses to improve cost-efficiency.

- *Management.* We adopt well-planned and efficient management system and measures over our project development process to reduce management and operating expenses.

***Quality Control***

We place a strong emphasis on quality control to ensure our subsidiaries and associates provide high-quality properties and services to our customers. For example, we have formulated detailed management policies on project supervision and quality control, by which all relevant departments at our group headquarters and of our companies are required to strictly abide. Our construction contractors also have to follow our quality control procedures.

In order to ensure quality standards, we generally require that our materials and equipment supplies have certain quality certifications or obtain certain authorizations and have passed our examination prior to their use and installation. In addition, engineers of the construction departments of our companies typically conduct on-site inspections on a daily basis. In connection with quality control checkpoints, inspections have to be performed under the supervision of project supervisors. Upon the discovery of any issues, the engineers have to propose relevant plans to resolve the issues and follow up on the implementation.

In order to ensure our completed properties meet the relevant quality standards, our group headquarters and our companies routinely perform inspections of properties prior to their delivery to our customers.

***Sales and Marketing***

The Sales Department of each of our companies is responsible for planning and implementing work related to sales and marketing for the relevant projects. Each company typically proposes the selling prices of the properties, the sales and marketing expenditures plan and the marketing strategies for the relevant projects and reports to the Sales Management Department of our group headquarters for its review and approval. Planning and control for sales and marketing expenditures and pricing management are some of the key tasks managed by our group headquarters. The Sales Management Department is responsible for running review meetings to discuss and approve such proposals. Key management employees at our group headquarters such as the Chief Executive Officer, President and main Vice Presidents are required to participate in such review and approval process.

Each of our companies is responsible for determining the prices of property products and executing a range of sales and marketing activities for the relevant projects. In general, our companies will determine the prices based on the competitive landscape and other relevant market factors, with the goal of achieving our profit targets while maintaining a balanced cash flow position. They will also strive to build up the presence and recognition of our project and corporate brands before the launching of pre-sales or sales. For example, in respect of our Beijing One Sino Park (北京一號院), Sunac Asia Pacific Enterprise Valley (融創亞太商谷), Suzhou Fairy Land (蘇州桃花源), Shanghai One Sino Park (上海濱江壹號院) and Tianjin Majestic Mansion (天津禦園), we believe that we have developed and maintained a high level of brand recognition, brand rating and brand loyalty. Using our understanding of our target customers, we perform a range of sales and marketing activities through various channels to maintain our relationships with existing customers and to reach potential purchasers. We advertise on various media including newspapers, magazines, the Internet, billboards and other outdoor media.

We highly value the capability as well as the energy and commitment of our sales force. As of June 30, 2020, our marketing and sales force comprised 6,943 employees. We do not engage third-party sales agents to sell properties for us. The Sales and Marketing Department of each of our companies is responsible for managing its own sales team. We conduct training sessions on market conditions, sales techniques, knowledge of the property market, among others topics, for our staff from time to time and also conduct specific training for each project prior to the commencement of its pre-sales. We, through our subsidiaries and associates, offer performance-based remuneration packages for our sales force in order to create incentives for them to achieve our sales goals.

***Pre-sale***

We typically conduct pre-sales of our properties prior to the completion of a project or a phase of the project, subject to satisfaction of certain requirements set forth in laws and regulations governing the pre-sale of properties. Under the Law of the Administration of Urban Property of the PRC (中華人民共和國城市房地產管理法) and the Administrative Measures Governing the Pre-sale of Urban Property (城市商品房預售管理辦法) as amended in 2007 and 2004, we must meet the following conditions prior to commencing any pre-sales of a given property development:

- the land grant fee has been fully paid and the relevant land use right certificates have been obtained;

- the relevant permits required for the planning and construction of the property have been obtained; and

- the funds contributed to the development of the project must reach 25% or above of the total amount to be invested in the project.

In addition to the above conditions, various local regulations in each of our target cities stipulate further conditions that must be met before obtaining the pre-sale permits.

*Payment Arrangements*

Purchasers of our properties, including those purchasing properties for pre-sale, may arrange for mortgage loans with banks. The need for mortgages among our purchasers is prevalent. Because of the financial risks involved, we do not provide loans directly. However, in accordance with industry practice, we provide short-term guarantees to banks with respect to the mortgage loans offered to our purchasers. In line with industry practice, we do not conduct independent credit checks on our purchasers but rely on the credit checks conducted by the mortgagee banks. As of December 31, 2017, 2018 and 2019 and June 30, 2020, we had outstanding guarantees for mortgage loans of our purchasers in the amount of RMB49,780.0 million, RMB88,598.4 million, RMB120,496.7 million (US$17,055.2 million) and RMB130,060.0 million (US$18,408.8 million), respectively. While we had not experienced any material default on mortgage loans guaranteed by us as of June 30, 2020, we cannot guarantee that we will not incur losses on any defaults in the future. See "Risk Factors — Risks Relating to Our Business — We guarantee the mortgages provided to our purchasers and consequently are liable to the mortgagee banks if our purchasers default on their mortgage payments."

The payment terms for sales and pre-sales of properties are substantially identical. We typically require our purchasers to pay a non-refundable deposit before entering into formal purchase agreements. Upon executing the purchase agreements, those purchasers who choose to make a lump-sum payment are typically required to make full payment of the total purchase price of the property. If the purchaser chooses to fund his or her purchase using mortgage loans provided by banks, under current PRC laws and regulations they may obtain mortgage loans of up to the maximum amount allowed under PRC law, with a repayment period of up to 30 years. These purchasers must pay the remaining balance of the purchase price that is not covered by the mortgage loans prior to the disbursement of the mortgage loans from the mortgagee banks.

***Delivery and After-sale Service***

The Customer Service Department of each of our subsidiaries or associates engaged in property development is responsible for managing the delivery of properties and providing customer services after the sale of properties.

*Delivery*

We endeavor to deliver our products to our customers on a timely basis. We closely monitor the progress of construction of our property projects and conduct pre-delivery property inspections in an effort to ensure timely delivery. The timetable for delivery is set forth in the purchase agreements entered into with our purchasers of pre-sale properties. Once we have performed various inspections and obtained the certificate of completion, we will notify our purchasers concerning the delivery. The purchase agreements in general contain liquidated damages clauses that set forth the amount of damages payable by the relevant group company or project company typically for each day of delay. See "Risk Factors — Risks Relating to Our Business — We may not be able to complete our property development projects on time or at all."

We are typically required to obtain a general property ownership certificate for each of our completed projects and in general will assist our customers in obtaining their property ownership certificates. We may be subject to the risks involved in obtaining property ownership certificates. See "Risk Factors — Risks Relating to Our Business — We may be liable to our customers for damages if we fail to assist our customers in obtaining individual property ownership certificates in a timely manner."

*Property Management*

The residential and commercial properties developed by our subsidiaries and associates are managed either by Sunac Property Services Group Limited or third-party property management companies in the PRC. We support and oversee these property management companies in their provision of services for and handling complaints of our purchasers, tenants and retail customers. For more information on our property management operations, see "— Property Management" below. With respect to our commercial properties, our project companies also have specialized staff in charge of soliciting merchants and administering and auditing rental payments.

## Other Businesses

### *Cultural and Tourism Projects from Dalian Wanda*

On July 19, 2017, Sunac Real Estate entered into an equity transfer agreement with Dalian Wanda Commercial Properties Co., Ltd. ("Dalian Wanda Commercial Properties"), pursuant to which Sunac Real Estate agreed to acquire, and Dalian Wanda Commercial Properties agreed to dispose of, a 91% equity interest in Dalian Wanda Commercial Properties' 14 cultural and tourism project companies in the PRC at the consideration of approximately RMB43,844.0 million (US$6,205.7 million).

According to the equity transfer agreement, Dalian Wanda Commercial Properties and Sunac Real Estate have agreed that, among other things, Dalian Wanda Commercial Properties shall be engaged to operate and manage the properties which are developed under and will continue to be held by the 14 cultural and tourism project companies; the projects in commercial operation shall be operated and managed according to Dalian Wanda Commercial Properties' original plan; and for projects that will commence operation in the future, their business plans and operational objectives shall be determined and implemented as may be approved by Sunac Real Estate. In addition, the 14 cultural and tourism project companies shall pay an annual management and consulting fee of RMB50 million (US$7.2 million) to Dalian Wanda Commercial Properties for a term of 20 years starting from the handover date or, in the case of the projects which have not commenced operation, from the commencement of operation. As of the date of this offering memorandum, Sunac Real Estate has fully paid the purchase price to Dalian Wanda Commercial Properties and has completed the transfer of the 14 cultural and tourism project companies. See "Risk Factors — Risks Relating to Our Business — We may undertake mergers, acquisitions or investments to expand our business that may pose risks to our business or subject us to unknown or contingent liabilities, and we may not realize the anticipated benefits of these mergers, acquisitions or investments."

## Property Management

We have in the past engaged third-party property management companies to manage all our completed property developments. In March 2010, we began to provide property management services, through our subsidiary Sunac Services or its subsidiaries, to our completed residential and commercial properties. On November 19, 2020, the Hong Kong Stock Exchange granted the listing of, and permission to deal in, the shares of Sunac Services on the main board of the Hong Kong Stock Exchange. See "— Recent Developments — Spin-off and Separate Listing of Our Property Management Business" for further details.

## Customers

Our customers are principally individual purchasers from the PRC. With respect to residential properties, we focus on developing high-end properties for medium to high-income target customer segments. Local residents constitute the core customer base for our projects. In addition, because of our strong brand recognition and brand influence, we have generated demand from residents in the neighboring areas of each project as well as high-income residents from foreign countries.

## Competition

The property industry in the PRC is highly competitive. We compete with other property developers based on a number of factors including product quality, service quality, price, financial resources, brand recognition, ability to acquire proper land reserves and other factors. Our existing and potential competitors include major domestic property developers in the PRC, and our competitors differ from city to city. Some of our competitors may have greater financial, marketing, land and other resources than we, through our subsidiaries and associates, have, as well as greater economies of scale, broader name recognition, a longer track record and more established relationships in certain markets. For more information on competition, see "Risk Factors — Risks Relating to Our Business — Increasing competition in the PRC, particularly in the regions we operate in, may materially and adversely affect our business, prospects, financial condition and results of operations."

**Intellectual Property Rights**

As of the date of this offering memorandum, our Company and our subsidiaries have registered 2,237 trademarks, including "(Sunac)" and "(融創)" under various categories including building construction and real estate affairs in the PRC. We have applied for registration of additional trademarks in the PRC and in Hong Kong. Our applications for several trademarks have been challenged and we cannot assure you that all of our applications for trademark registration will be approved.

We are the owner of the domain name of "sunac.com.cn".

**Insurance**

In general, our contractors and our property management companies and the relevant third-party property management companies are required to purchase certain insurance coverage for our properties. Our contractors typically have to maintain all-risk and third-party insurance policies for our properties under construction, while our property management companies and the relevant third-party property management companies generally have to maintain all-risk property insurance, equipment damage insurance and public liability insurance for the common areas and amenities of our commercial properties. Consistent with what we believe to be customary practice in the property development industry in the PRC, we do not separately maintain insurance for the destruction of or damage to our property developments, whether they are under development or have been completed prior to delivery; nor do we separately carry insurance against personal injury or other liabilities that may occur during the construction of our property developments or that may arise in the common areas of our completed property developments.

**Social, Health and Safety Matters**

Under PRC laws and regulations, an enterprise is required to execute employment contracts with its employees according to the relevant laws and regulations and shall not rescind the employment contract without cause. Employees are entitled to breaks and take annual leave based on the law and provisions as stipulated in their employment contracts. An enterprise is also required to have health and safety policies and provide health and safety training to its staff. It is also required to provide its staff with a safe and hygienic working environment as well as necessary protective equipment. In addition, an enterprise is required to purchase basic medical insurance, pension insurance, maternity insurance, unemployment insurance, and personal injury insurance for its staff and pay the relevant insurance premiums in accordance with relevant laws and regulations. By protecting the interests of our employees, we expect to enhance employee morale and improve our long-term retention of quality personnel.

## Employees

As of June 30, 2020, we had 50,563 full-time employees. The following table sets forth the breakdown of these full-time employees by function as of June 30, 2020:

| Function | Number of Employees |
|---|---|
| Senior Management | 205 |
| Sales and marketing | 6,943 |
| Engineering | 3,029 |
| Property management | 23,104 |
| Customer service | 1,056 |
| Procurement and costing | 2,566 |
| Research and development | 89 |
| Finance | 2,715 |
| Investment development | 1,165 |
| Project development | 7,058 |
| Human resources, legal and administration | 2,354 |
| Audit | 102 |
| IT | 177 |
| Total | **50,563** |

In the PRC, in accordance with the relevant national and local labor and social welfare laws and regulations, we are required to pay in respect of our employees in the PRC various social security funds including basic pension insurance, basic medical insurance, unemployment insurance, occupational injury insurance, childbirth insurance and a housing fund.

Our employees do not negotiate their terms of employment through any labor union or by way of collective bargaining agreements. We have not experienced significant labor disputes which adversely affected or are likely to have an adverse effect on our business operations.

## Environmental Matters

Our subsidiaries and associates that are engaged in property development are subject to PRC environmental laws and regulations as well as environmental regulations promulgated by local governments. As required by PRC laws and regulations, each project developed by a property developer is required to undergo an environmental impact assessment and an environmental impact assessment report is required to be submitted to the relevant government authorities for approval before commencement of construction. When there is a material change with respect to the construction site, scale or nature of a given project, a new environmental impact assessment report must be submitted for approval. During the course of construction, the property developer must take measures to prevent air pollution, noise emissions and water and waste discharge. In addition, our subsidiaries and associates contract construction works to independent third parties and, pursuant to the terms of the construction contracts, such contractors and subcontractors are required to comply with the environmental impact assessment and the conditions of the subsequent approval granted by the relevant government authority. During construction, our project management teams supervise the implementation of the environmental protection measures.

In addition, PRC environmental laws and regulations provide that if a construction project includes environmental facilities (including engineering projects, devices, monitors and other facilities that were constructed or equipped in order to prevent pollution and protect the environment), such facilities will have to pass an inspection by the environmental authorities, and an approval must be obtained before the environmental facilities can commence operations. If a construction project does not include any environmental facilities, no such approval is required.

Except for fees paid to independent experts for the preparation of environmental assessment report as mentioned above, we were not required to pay, nor did we incur, any cost of compliance with applicable environmental laws and regulations in 2017, 2018 and 2019 and for the six months ended June 30, 2020.

**Legal Proceedings**

From time to time, we, together with our subsidiaries and associates, have been involved in legal proceedings or other disputes in the ordinary course of our business, which are primarily disputes with our contractors and customers, and we have not incurred material legal costs and expenses in view of our overall operating results. As of the date of this offering memorandum, we are not aware of any material legal proceedings, claims, disputes, penalties or liabilities currently existing or pending against us that may have a material adverse impact on our business, financial condition or results of operations.

**Establishment of a Property Development Enterprise**

According to the Law of the People's Republic of China on the Administration of Urban Property (中華人民共和國城市房地產管理法) (the "Urban Property Law") promulgated by the Standing Committee of the National People's Congress on July 5, 1994 and revised on August 27, 2009 and August 26, 2019, a property development enterprise is defined as an enterprise which engages in the development and operation of property for the purpose of making profits. Under the Regulations on Administration of Development of Urban Property (城市房地產開發經營管理條例) (the "Development Regulations") promulgated by the State Council on July 20, 1998 and amended on March 24, 2019 and March 27, 2020, an enterprise which is to engage in development of property shall satisfy the following requirements: (1) its minimum registered capital shall be RMB1 million; and (2) it shall employ at least four full-time professional property/construction technicians and at least two full-time accounting officers, each of whom shall hold relevant qualification certificates. The Development Regulations also stipulate that the local government of a province, autonomous region or municipality directly under the central government may, based on local circumstances, impose more stringent requirements on the amount of registered capital of, and the qualifications of professionals retained by, property development enterprises.

Pursuant to the Development Regulations, a developer who aims to establish a property development enterprise should apply for registration with the Administration for Industry and Commerce. The property development enterprise must also report its establishment to the property development authority in the location of the registration authority, within 30 days upon the receipt of its business license.

Under the Notice on Adjusting the Portion of Capital Fund for Fixed Assets Investment of Certain Industries (國務院關於調整部分行業固定資產投資項目資本金比例的通知) issued by the State Council on April 26, 2004, the portion of capital funding for property projects (excluding affordable residential housing projects) has been increased from 20% to 35%.

However, on May 25, 2009, the State Council issued the Notice on Adjusting the Minimum Capital Requirement for Fixed Assets Investment (國務院關於調整固定資產投資項目資本金比例的通知) and lowered the minimum capital requirement for projects of affordable residential housing and regular commodity residential houses from 35% to 20% and, for other property projects, to 30%.

Further, on September 9, 2015, the State Council promulgated the Notice on Adjusting and Perfecting the Minimum Capital System for Fixed Assets Investment (國務院關於調整和完善固定資產投資項目資本金製度的通知), kept the minimum capital requirement for projects of affordable residential housing and regular commodity residential houses the same as 20% and, for other property projects, lowered from 30% to 25%.

**Foreign-Invested Property Enterprises 外商投資房地產企業**

On March 15, 2019, the National People's Congress approved the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》), which came into effect on January 1, 2020 and replaced the Sino-Foreign Equity Joint Venture Enterprise Law, the Sino-Foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-Invested Enterprise Law, and became the legal foundation for foreign investment in the PRC. On December 26, 2019, the State Council issued the Regulations on Implementing the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》), which came into effect on January 1, 2020 and replaced the Regulations on Implementing the Sino-Foreign Equity Joint Venture Enterprise Law, Provisional Regulations on the Duration of Sino-Foreign Equity Joint Venture Enterprise Law, the Regulations on Implementing the Wholly Foreign-Invested Enterprise Law and the Regulations on Implementing the Sino-foreign Cooperative Joint Venture Enterprise Law.

The Foreign Investment Law sets out the basic regulatory framework for foreign investments and proposes to implement a system of pre-entry national treatment with a negative list for foreign investments, pursuant to which (i) foreign natural persons, enterprises or other organizations (collectively the "foreign investors") shall not invest in any sector forbidden by the negative list for access of foreign investment, (ii) for any sector restricted by the negative list, foreign investors shall conform to the investment conditions provided in the negative list, and (iii) sectors not included in the negative list shall be managed under the principle that domestic investment and foreign investment shall be treated equally. The Foreign Investment Law also sets forth necessary mechanisms to facilitate, protect and manage foreign investments and proposes to establish a foreign investment information report system in which foreign investors or foreign-funded enterprises shall submit the investment information to competent departments of commerce through the enterprise registration system and the enterprise credit information publicity system.

Under the Catalog of Guidance on Industries for Foreign Investment ((外商投資產業指導目錄) Revision 2015) promulgated by MOFCOM and NDRC, which became effective on April 10, 2015, the development of a whole land lot solely by foreign investors, the construction and operation of villas and golf courses fall within the category of industries in which foreign investment is prohibited. Other real estate developments fall within the category of industries in which foreign investment is permitted.

According to the Circular of the State Council on Promulgating the Catalogue of Investment Projects Subject to the Approval of Governments (2016 Version) (國務院關於發佈政府核準的投資項目目錄(2016年本)的通知) or Governmental Approval (2016 Version) promulgated by the State Council on December 12, 2016 and the Circular of the National Development and Reform Commission on Effectively Implementing Foreign Capital-related Work in the Catalog of Investment Projects Subject to Governmental Approval (2016 Version) (國家發展改革委關於做好貫徹落實《政府核準的投資項目目錄(2016年本)》有關外資工作的通知) promulgated by the National Development and Reform Commission ("NDRC") in January 2017, the foreign investment projects set forth in the following shall be subject to the approval system: (i) any project of the restricted category with a total investment (including capital increase) amounting to USD300 million or above as included in the Catalog for the Guidance of Foreign Investment Industries shall be approved by the NDRC, and it shall be submitted to the State Council for the record provided that the total investment (including capital increase) amounts to USD2 billion or above; (ii) any project of the restricted category with a total investment (including capital increase) of less than USD300 million as included in the Catalog for the Guidance of Foreign Investment Industries shall be approved by the provincial government; and (iii) the foreign investment projects other than those set out in the above two items but listed in Items 1 to 10 of the Catalog of Investment Projects Subject to Governmental Approval (2016 Version) shall be approved in accordance with the provisions in Items 1 to 10 of the Catalog of Investment Projects Subject to Governmental Approval (2016 Version), and the foreign investment projects beyond the scope of projects subject to approval and not in the prohibited category as provided in the Catalog for the Guidance of Foreign Investment Industries shall be presented to local development and reform commissions for the record.

Foreign invested property enterprises can be established in the form of a sino-foreign equity joint venture, a sino foreign cooperative joint venture or a wholly foreign-owned enterprise. Prior to its registration, the enterprise must be approved by the commerce authorities, upon which a certificate of approval for a foreign-invested enterprise will be issued.

On July 11, 2006, MOHURD, MOFCOM, the NDRC, the PBOC, the State Administration for Industry and Commerce and SAFE jointly promulgated the Opinion on Regulating the Access to and Management of Foreign Capital in the Property Market (建設部、商務部、國家發展和改革委員會等關於規範房地產市場外資准入和管理的意見) (the "Opinion"). According to the Opinion, the access to and management of foreign capital in the property market must comply with the following requirements:

- Foreign entities or individuals who buy property not for their own use in China must apply for the establishment of a foreign-invested enterprise pursuant to the regulations of foreign investment in property. After obtaining the approvals from relevant authorities and upon completion of the relevant registrations, foreign entities and individuals can then carry on their business pursuant to their approved business scope.

- Where the total investment amount of a foreign-invested property development enterprise is US$10 million or more, its registered capital shall not be less than 50 percent of the total investment amount; where the total investment amount is less than US$10 million, its registered capital shall follow the requirements of the existing regulations.

- The commerce authorities and the Administration for Industry and Commerce are responsible for the approval and registration of a foreign-invested property development enterprise and the issuance to the enterprise of a temporary certificate of approval for a foreign-invested enterprise (which is only effective for one year) and the business license. Upon full payment of the assignment price under a land grant contract, the foreign-invested property development enterprise should apply for the land use rights certificate in respect of the land. With such land use rights certificate, it can obtain a formal certificate of approval for a foreign-invested enterprise from the commerce authorities and an updated business license.

- Transfers of projects or shares in foreign-invested property development enterprises or acquisitions of domestic property development enterprises by foreign investors should strictly comply with relevant laws, regulations and policies and obtain the relevant approvals. The investor should submit: (1) a written undertaking of fulfillment of the contract for the assignment of state-owned land use rights; (2) a construction land planning permit and construction works planning permit; (3) land use rights certificate; (4) documents evidencing the filing for modification with the construction authorities; and (5) documents evidencing the payment of tax from the relevant tax authorities.

- When acquiring a domestic property development enterprise by way of share transfer or otherwise, or purchasing shares from Chinese parties in a sino-foreign equity joint venture, foreign investors should make proper arrangements for the employees, assume responsibility for the debts of the enterprise and pay the consideration in one single payment with its own capital. Foreign investors with records showing that they have not complied with relevant employment laws, those with unsound financial track records, or those that have not fully satisfied any previous acquisition consideration shall not be allowed to undertake the aforementioned activities.

On August 14, 2006, The General Office of MOFCOM promulgated the Circular on the Thorough Implementation of the Opinion on Regulating the Access to and Management of Foreign Capital in the Property Market (商務部辦公廳關於貫徹落實《關於規範房地產市場外資准入和管理的意見》有關問題的通知) (the "Circular"). The Circular not only reiterates relevant provisions on foreign investment in the real estate industry as prescribed in the Opinion, but also sets forth the definition of Real Estate FIE as a foreign invested enterprise ("FIE") which carries out the construction and operation of a variety of buildings such as ordinary residences, apartments and villas, hotels (including restaurants), resorts, office buildings, convention centers, commercial facilities, and theme parks, or, undertakes the development of land or a whole land lot in respect of the abovementioned projects.

On August 19, 2015, Ministry of Housing and Urban-Rural Development ("MOHURD"), NDRC, PBOC, SAIC and SAFE jointly promulgated the Circular of the Ministry of Housing and Urban-rural Development and Other Authorities on Adjusting Policies on the Market Access and Administration of Foreign Investment in the Real Estate Market (關於調整房地產市場外資准入和管理有關政策的通知). Pursuant to the circular, the ratio of registered capital to total investment of FIREEs shall be subject to the Tentative Regulations of the State Administration for Industry and Commerce on the Proportion of the Registered Capital to the Total Amount of Investment of Sino-foreign Equity Joint Ventures (國家工商行政管理局關於中外合資經營企業註冊資本與投資總額比例的暫行規定) and the requirement that a foreign invested real estate company must fully pay its registered capital before handling the procedures for domestic loans, foreign loans and settlement of foreign exchange loans has been lifted. Furthermore, the circular has simplified the foreign exchange registration procedures for FIREEs.

On September 1, 2006, MOHURD and SAFE jointly issued the Opinions on Regulating the Foreign Exchange Administration of the Real Estate Market (國家外匯管理局、建設部關於規範房地產市場外匯管理有關問題的通知), which has been amended on May 4, 2015, providing regulations on real estate development enterprises mainly as follows:

- For real estate development enterprises, the current account for foreign exchange shall not maintain property purchase payments remitted by residents of Hong Kong, Macau and Taiwan and overseas Chinese expatriates;

- Where the state-owned land use rights certificate is yet to be obtained, or the capital fund of development project has not reached 35% of the total amount of the project investment, such Real Estate FIE is not permitted to borrow foreign loans from overseas;

- Where foreign entities and individuals purport to merge and acquire domestic real estate enterprises by way of share transfer or any other means, to acquire a Chinese party's shares within an equity joint venture, such foreign entities and individuals must make a one time payment for the transfer consideration in a lump sum, otherwise SAFE shall not process any foreign exchange registration relating to the foreign exchange transaction.

On May 23, 2007, MOFCOM and SAFE promulgated the Notice on Further Strengthening and Regulating the Approval and Supervision of Foreign Direct Investment in the Property Sector (商務部、國家外匯管理局關於進一步加強、規範外商直接投資房地產業審批和監管的通知), amended on October 28, 2015, which stipulates, among others, that:

- Foreign investment in the real estate sector in the PRC relating to high-grade properties should be strictly controlled;

- Before obtaining approval for the setup of a Real Estate FIE, (a) both the land use rights certificates and building ownership certificates should be obtained or, (b) contracts for obtaining land use rights or building ownership rights should be entered into;

- Entities which have been set up with foreign investment need to obtain approval before expanding their business operations into the real estate sector and entities which have been set up for real estate development operation need to obtain new approval in case they expand their real estate business operations;

- Strict control should be imposed on the acquisition of or investment in domestic real estate enterprises by way of round trip investment. Foreign investors shall not acquire control of domestic enterprises for the purpose of circumventing the approval procedure related to Real Estate FIE;

- In a Real Estate FIE, Chinese parties shall not, explicitly or implicitly provide any warranties with regard to allocating fixed returns to any party;

- A Real Estate FIE incorporated upon approval by local approval bodies should be registered with MOFCOM on a timely basis; and

- Foreign exchange administration bodies and designated foreign exchange banks shall not process sale or settlement of foreign exchange for capital account items for Real Estate FIEs that fail to complete filing procedures with MOFCOM.

In November 2010, MOFCOM promulgated the Notice on Strengthening Administration of the Approval and Registration of Foreign Investment on the Real Estate Industry (商務部辦公廳關於加強外商投資房地產業審批備案管理的通知), which provides, among other things, that real estate enterprises established in China with overseas capital are prohibited from purchasing or selling completed real estate properties or real properties under construction for arbitrage purposes. The local MOFCOM authorities are not allowed to approve engagement of investment companies in real estate development and management business.

On June 28, 2017, National Development and Reform Commission and Ministry of Commerce promulgated the Catalogue of Industries for Guiding Foreign Investment (Revision 2017) (外商投資產業指導目錄(2017修訂)), or the "Catalogue 2017", which becomes effective on July 28, 2017. The Catalogue 2017 integrates the encouraged items subject to limitations on ownership of shares, restricted items and prohibited items into special administrative measures on access of foreign investments (the negative list for the access of foreign investments) and clarifies the restrictive measures in a uniform manner. In addition, 11 items are removed from the Catalogue 2017 as foreign investments and domestic investments in these items are subject to the same restrictions. These items include, for example, construction of villas and golf courses.

On June 28, 2018, MOFCOM and the NDRC jointly promulgated the Special Administrative Measures for the Access of Foreign Investment (Negative List) (2018 Edition) (外商投資准入特別管理措施(負面清單)(2018年版)) (the "2018 Negative List"), which came into effect on July 18, 2018. The 2018 Negative List replaced the negative list provided under the Catalogue 2017. Pursuant to the 2018 Negative List, the number of items subject to the special administrative measures has been reduced from 63 to 48, and real estate development business is not included in the 2018 Negative List.

On March 26, 2011, the Beijing tax authority implemented a new policy on LAT prepayments, which provides that the maximum LAT prepayment rate is 5% (and the minimum rate is 2%) for properties, excluding certain affordable housing for which property developers obtain pre-sale permits or sale confirmations after March 25, 2011. Subject to increases of the applicable prepayment rates by local tax authorities pursuant to such notice, we may have to prepay LAT at higher rates.

According to Circular of the State Administration of Foreign Exchange on Printing and Distributing the Administrative Provisions on Foreign Exchange in Domestic Direct Investment by Foreign Investors and Relevant Supporting Documents (國家外匯管理局關於印發《外國投資者境內直接投資外匯管理規定》及配套文件的通知) promulgated on October 5, 2013 and was partially revised on October 10, 2018, real estate FIEs' foreign shareholders' increase of capital contribution, any equity transfer of FIEs from Chinese investors to foreign investors, and FIEs' expanding business scope to real estate development require proof of filing with the Ministry of Commerce.

**Qualifications of a Property Development Enterprise 房地產開發企業資質**

***Classifications for the qualifications of property development enterprises***

Under the Development Regulations, a property development enterprise must report its establishment to the governing property development authorities in the location of the registration authority within 30 days after receiving its business license. The property development authorities shall examine applications for classification of a property development enterprise's qualification by considering its assets, professional personnel and industrial achievements. A property development enterprise shall only engage in property development projects that come within the scope of its approved qualification.

Under the Provisions on Administration of Qualifications (房地產開發企業資質管理規定) promulgated by MOHURD and implemented on March 29, 2000 and amended on May 4, 2015 and December 22, 2018, a property development enterprise shall apply for registration of its qualifications. An enterprise may not engage in the development and sale of property without a qualification classification certificate for property development.

In accordance with the Provisions on Administration of Qualifications, qualifications of a property development enterprise are classified into four classes: class 1, class 2, class 3 and class 4. Different classes of qualification shall be examined and approved by corresponding authorities. The class 1 qualifications shall be subject to both preliminary examination by the construction authority under the government of the relevant province, autonomous region or municipality directly under the central government and then final approval of the construction authority under the State Council. Procedures for approval of developers of class 2 or lower shall be formulated by the construction authority under the people's government of the relevant province, autonomous region or municipality directly under the central government. A developer that passes the qualification examination will be issued a qualification certificate of the relevant class by the qualification examination authority. For a newly established property development enterprise, after it reports its establishment to the property development authority, the latter shall issue a provisional qualification certificate to the eligible developer within 30 days. The provisional qualification certificate shall be effective for one year from its issuance and, depending on the actual business situation of the enterprise, may be extended by the property development authority for a period of no longer than two years. A property development enterprise shall apply with the property development authority for qualification classification within one month of expiry of the provisional qualification certificate.

***The business scope of a property development enterprise***

Under the Provisions on Administration of Qualifications, a developer of any qualification classification may only engage in the development and sale of the property within its approved scope of business and may not engage in business which falls outside the approved scope of its qualification classification. A class 1 property development enterprise may undertake property development projects throughout the country without any limit on the scale of the project. A property development enterprise of class 2 or lower may undertake a project with a GFA of less than 250,000 sq.m. and the specific scopes of business shall be formulated by the construction authority under the people's government of the relevant province, autonomous region or municipality.

***The annual inspection of a property development enterprise's qualification***

Pursuant to the Provisions on Administration of Qualifications, the qualification of a property development enterprise shall be inspected annually. The construction authority under the State Council or its authorized institution is responsible for the annual inspection of a class 1 property development enterprise's qualification. Procedures for annual qualification inspection for developers with class 2 or lower qualifications shall be formulated by the construction authority under the people's government of the relevant province, autonomous region or municipality.

**Development of a Property Project 房地產項目開發**

***Land for property development***

Under the Provisional Regulations of the People's Republic of China on the Grant and Transfer of the Land-Use Rights of State-owned Urban Land (中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例) (the "Provisional Regulations on Grant and Transfer") promulgated by the State Council on May 19, 1990, a system of assignment and transfer of the right to use state-owned land is adopted. A land user shall pay an assignment price to the State as consideration for the grant of the right to use a land site within a certain term, and the land user may transfer, lease out, mortgage or otherwise commercially exploit the land use rights within the term of use. Under the Provisional Regulations on the Grant and Transfer and the Urban Property Law, the land administration authority under the local government of the relevant city or county shall enter into a land use rights grant contract with the land user to provide for the assignment of land use rights. The land user shall pay the assignment price as provided by the assignment contract. After full payment of the assignment price, the land user shall register with the land administration authority and obtain a land use rights certificate which evidences the acquisition of land use rights. The Development Regulations provide that the land use right for a land parcel intended for property development shall be obtained through grant except for land use rights which may be obtained through appropriation pursuant to PRC laws or the stipulations of the State Council.

Under the Rules Regarding the Grant of State-Owned Land Use Rights by Way of Tender, Auction and Listing-for-sale (招標拍賣掛牌出讓國有建設用地使用權規定) promulgated by the MLR on September 28, 2007 and implemented on November 1, 2007, land for commercial use, tourism, entertainment and commodity housing development shall be granted by means of tender, public auction or listing-for-sale. A tender of land use rights means the relevant land administration authority (the "assignor") issues a tender announcement inviting individuals, legal persons or other organizations (whether specified or otherwise) to participate in a tender for the land use rights of a particular parcel of land. The land user will be determined according to the results of the tenders. An auction for land use rights is where the assignor issues an auction announcement, and the bidders can at specified time and location openly bid for a parcel of land. A listing-for-sale is where the assignor issues a listing-for-sale announcement specifying the land grant conditions and inviting bidders to list their payment applications at a specified land exchange within a specified period. The procedures for tender, auction and listing-for-sale may be summarized as follows (for the purpose of the summary, the participant in a tender, auction or listing for sale is referred to as a "bidder"):

- The land authority under the government of the city and county (the "assignor") shall announce at least 20 days prior to the day of competitive bidding, public auction or listing-for-sale. The announcement should include basic particulars of the land parcel, qualification requirements for bidders, the methods and criteria for selection of the winning bidder and certain conditions such as the deposit for the bid.

- The assignor shall conduct a qualification verification of the bidding applicants and inform the applicants who satisfy the requirements of the announcement to attend the competitive bidding, public auction or listing-for-sale.

- After determining the winning bidder by holding a competitive bidding, public auction or listing-for-sale, the assignor and the winning bidder shall then enter into a confirmation. The assignor should refund the other applicants their deposits.

- The assignor and the winning bidder shall enter into a contract for the assignment of state-owned land use rights at a time and venue set out in the confirmation. The deposit for the bid paid by the winning bidder will be deemed as part of the assignment price for the land use rights.

- The winning bidder should apply to register the land registration after paying off the assignment price. The people's government at the municipality or county level or above should issue the land use rights certificate.

On June 11, 2003, the MLR promulgated the "Regulations on the Grant of State-owned Land Use Rights by Agreement" (協議出讓國有土地使用權規定). According to this regulation, if there is only one entity interested in using the land, the land use rights (excluding land use rights for business purposes including commercial, tourism, entertainment and residential commodity properties) may be assigned by way of agreement. If two or more entities are interested in the land use rights to be assigned, such land use rights shall be granted by means of tender, auction or listing-for-sale.

Under the Urgent Notice of Rigorously Strengthening the Administration of the Land, the land authority should strictly follow the Model Form of the State-owned Land-Use Rights Grant Contract and Model Form of the State-owned Land Use Rights Grant Supplementary Contract (for Trial Implementation), which were jointly promulgated by the MLR and the State Administration for Industry and Commerce. The documents relating to the assignment of land should specify the requirements for planning, construction and land use such as relevant restrictions on the dwelling size and plot ratio, and the time limit for the commencement and completion of construction. All these should be set forth in the contract for the assignment of the land.

On September 21, 2007 the MLR promulgated the Rules Regarding the Grant of State-Owned Construction Land Use Rights by Way of Tender, Auction and Listing-for-sale (招標拍賣掛牌出讓國有建設用地使用權規定) which came into force on November 1, 2007. The rules stipulate the legal basis, principles, scope, procedures and legal liability arising from and in connection with the assignment of state-owned land use rights by competitive bidding, public auction or listing for sale. The rules clearly state that the grant of land for industrial use must also be by means of competitive bidding, public auction or listing for sale.

On September 30, 2007, the MLR issued a new notice to further enhance the control of land supply, which stipulates that the supply of the land to be developed for low-rent housing, economical housing and housing at low or medium price and of small or medium size shall be no less than 70% of the total land supply of the current year; the land and resources authorities shall control the area of each parcel of land and increase the number of parcels of land to be supplied, in order to prevent the coemption of land by property development enterprises. Property development enterprises shall develop their land according to the terms of the relevant land use rights grant contract, and any violation thereof may restrict or prevent such property development enterprises from participating in future land bidding. Generally, the development period of each parcel of land must not exceed three years.

The Measures on the Administration of Reserved Land (土地儲備管理辦法), promulgated by the Ministry of Finance, PBOC, MLR and CBRC on January 3, 2018, define "reserved land" and stipulate the administrative, regulatory and implementing procedures involved with the management, planning, allocation, use, development, capital expenditure and supply of reserved land. Moreover, the measures make it clear that land must be reserved in accordance with corresponding land programs or plans, and that in determining land reserves priority must be given to land included in state inventories which is unused, unoccupied or underutilized.

In November 2009, the Ministry of Finance, MLR, PBOC, PRC Ministry of Supervision and PRC National Audit Office jointly promulgated the Notice on Further Enhancing the Revenue and Expenditure Control over Land Grants Development (關於進一步加強土地出讓收支管理的通知).

The Notice raises the minimum down-payment for land premiums to 50% and requires the land premium to be fully paid within one year after the signing of a contract for the assignment of land, subject to limited exceptions. Any developer defaulting on any such payment may not participate in any new transactions of land grant.

In March 2010, the MLR promulgated the Notification on Emphasizing Relevant Issues Relating to the Supply and Supervision of Land for Real Estate Development (關於加強房地產用地供應和監管有關問題的通知) (the "2010 Notice") which adopted measures to improve the regulation of land for real estate development. These include measures to: improve the preparation and implementation of land supply plans; guarantee the supply of land for subsidized community housing developments; improve the regime of public tender, auction and listing-for-sale of land use rights; enhance the supervision on the use of land; disclose to the public information on the supply and assignment of land and the status of the construction project on the land; and conduct special inspections on outstanding problems related to land use.

Pursuant to the 2010 Notice, the administrative authorities for land and resources of cities and counties shall establish a regime for developers to report the commencement and completion of construction projects. Under such regime, the developer shall report in writing to the relevant administrative authority for land and resources at the commencement and completion of the construction project. The commencement and completion date of construction set forth in the agreements may be postponed by reporting the reasons for the delay to the respective administrative authority for land and resources no later than 15 days prior to such date. A developer who fails to report accordingly shall be announced to the public and prohibited from participating in any new land grant transactions for a minimum of one year. Additionally, land used for developing subsidized community housing and small-to-medium-size self-use residential commodity housing, as well as for the redevelopment of run-down and substandard housing shall account for not less than 70% of the total land supply for residential property development. The lowest land premium for the assignment of land use rights shall not

be lower than 70% of the benchmark price for land of the same grade in the same locality, and the deposit for the participation as a bidder for the land shall not be lower than 20% of the minimum land premium. The contract for the assignment of land shall be executed in writing within 10 days after the deal is reached, the down payment of the land assignment price, which shall not be less than 50% of the full land assignment price, shall be paid within one month after the contract for the assignment of land is executed, and the land assignment price shall be paid in full no later than one year after the contract for the assignment of land is executed. A property development enterprise that defaults on the payment of the land premium, holds idle land, hoards or speculates in land, develops property on the land exceeding its actual development capacity or defaults on the performance of the contract for the assignment of land shall be banned from participating in any transactions for the assignment of land for a specified period.

On September 21, 2010, the MLR and MOHURD jointly issued the Notice On Further Strengthening the Administration and Control of Real Estate Land and Construction (關於進一步加強房地產用地和建設管理調控的通知), which stipulates, among other things, that the planning and construction conditions and land use standards should be specified when a parcel of land is to be granted, and the restrictions on the area of one parcel of land granted for commodity properties should be strictly implemented. The development and construction of large low-density residential properties should be strictly restricted, and the floor area ratio for residential land is required to be more than 1. In addition, to participate in land bidding procedures, a land developer shall provide a written certificate that its land bidding deposit does not come from bank loans, shareholder loans, or re-financing and fund raising activities, as well as a certificate letter issued by a financial institution supporting such information.

In December 2010, the MLR promulgated the Notice on Strict Implementation of Policies Regarding Regulation and Control of Real Property Land to Promote Healthy Development of the Land Markets (關於嚴格落實房地產用地調控政策促進土地市場健康發展有關問題的通知), which provides, among other things, that: (i) cities and counties having less than 70% of their land supply designated for affordable housing, housing for redevelopment of shanty towns or small or mid-size residential units shall not provide land for large-size, high-end housing till the end of 2010; (ii) local land and resource authorities at city and county levels shall report to the Ministry of Land and Resources and provincial land and resource authorities, respectively, with regard to land with a premium rate exceeding 50%; and (iii) land designated for affordable housing but used for property development purposes against relevant policies or involving illegal income will be confiscated and the relevant land use rights withdrawn, and changing the plot ratio without approval is also strictly prohibited.

On January 26, 2011, the State Council promulgated the Notice on Further Implementing Real Estate Market Control Measures (關於進一步做好房地產市場調控工作有關問題的通知), which provides, among other things, that: (i) the nationwide supply of land for commodity properties in 2011 shall, in principle, be no less than the average actual supply amount of the previous two years; and (ii) to participate in land bidding procedures, companies and individuals shall provide their sources of funding and relevant proofs.

On February 26, 2013, the General Office of the State Council promulgated Notice of Continuing to Effectively Regulate the Real Estate Market (關於繼續做好房地產市場調控工作的通知), pursuant to which, among other things, that: (i) restrict speculative investment and purchase; (ii) increase supply of ordinary commercial housing and land for housing construction, and in principle, total supply of land for housing construction in 2013 shall not be less than the average actual supply over the past five years.

On March 31, 2017, Shanghai Planning and Land Resources Bureau promulgated the Regulations on Reinforcing the Transfer Management of Commercial Land Use (關於加強本市經營性用地出讓管理的若干規定), which require, among others, that: (i) the land transfer contract shall explicitly agree that apartment office shall not be constructed upon office land use, and apartment hotel shall not be constructed without explicit agreement; (ii) the land transfer contract shall explicitly agree on issues of business and office proportion and holding period which shall be written into the contract; and (iii) after the project construction and obtaining the certificate, the transferee should hold the property for a certain agreed period, and within such period the property shall not be transferred.

On April 1, 2017, the MOHURD and MLR jointly promulgated the Notice on Reinforcing Recent Works of Management and Regulation of Housing and Land Supply (關於加強近期住房及用地供應管理和調控有關工作的通知) which requires, among other things: (i) to categorize 5 types of housing supply situation (significant increase, increase, flat, appropriate decrease, and decrease until suspension) for land regulation. Cities shall adjust housing land use supply with respect to allocation, structure and timing sequence in accordance with the local situations of commercial housing destocking cycle. Those whose destocking cycles are more than 36 months shall suspend land use supply, between 18-36 months shall appropriately reduce supply, between 6-12 months shall increase supply, and fewer than 6 months shall significantly increase supply and supply rate; (ii) local authorities to make and release a 3-year rolling plan and medium-term plan of housing land use supply; and (iii) to establish a land-purchase funding review system to guarantee real estate enterprises bidding land with compliant own funds. Real estate enterprises whose funds are reviewed as incompliant by the land and financial authorities would be disqualified to purchase land for a certain period.

***Resettlement***

Pursuant to the Regulation on the Expropriation of and Compensation for Housing on State-owned Land (國有土地上房屋徵收與補償條例), which was promulgated by the State Council on January 21, 2011 and became effective on the same day, governments at the municipal or county level are responsible for, and have the right to set up housing expropriation departments to organize and carry out, the expropriation of and compensation for housing in their administrative regions. The amount of compensation for the housing being expropriated shall not be less than the market price of housing similar to the housing being expropriated on the announcement date of the housing expropriation decision. The housing being expropriated shall be appraised by a real estate appraisal institution with relevant qualification according to applicable housing expropriation appraisal measures. In addition, a party that objects to the appraisal value of the housing being expropriated may request the real estate appraisal institution to review the appraisal result. A party that objects to the review result, may apply to the real estate appraisal expert committee for authentication of the appraisal value. The party with housing being expropriated may choose monetary compensation, or may choose to exchange the property right of the housing. If the party with housing being expropriated choose to exchange the property right of the housing, governments at the municipal or county level shall provide housing to be used for the exchange of property right, and calculate and settle the difference between the value of the housing being expropriated and the value of the housing used for the exchange of the property right.

***Termination of the land use rights***

In accordance with the Land Administrative Law of the People's Republic of China (中華人民共和國土地管理法) promulgated by the Standing Committee of the NPC on June 25, 1986 and amended on August 26, 2019, under any of the following cases, the land administrative authorities may recover the state-owned land use rights with the approval of the people's governments that originally gives the approvals or the relevant competent people's governments:

- land which is really necessary to be used for the renovation of old city districts in order to implement urban construction plans as well as other public interests;
- when the term for the land use rights expires, the land user has failed to apply for extension or failed to get approval for extension;
- the use of land originally allocated has been stopped due to cancellation or removal of units;
- roads, railways, airports and mining sites that have been approved to be abandoned.

Under the Provisional Regulations on Grant and Transfer, the maximum term of the land use rights shall be determined, respectively, in the light of the purposes listed below: (i) 70 years for residential purposes; (ii) 40 years for commercial, tourism and entertainment purposes; (iii) 50 years for education, science, culture, public health, physical education, industrial, comprehensive utilization or other purposes.

***Commencement of development with respect to a property project and idle land***

Under the Urban Property Law, those who have obtained the land use rights by assignment must develop the land in accordance with the use and period of commencement as prescribed by the contract for the assignment of land. According to the Measures on Disposing Idle Land (閒置土地處置辦法) promulgated by the MLR on April 28, 1999, as revised on 1 June 2012 and effective 1 July 2012, "idle land" shall mean any State-owned land for construction use, of which the holder of the land use right fails to start the construction and development thereof within one year after the commencement date of the construction and development work as agreed upon and prescribed in the contract for fee-based use of State-owned land for construction use, or the decision on allocation of State-owned land for construction use. Any State-owned land for construction use of which the construction and development has been started but the area of land that is under construction and development is less than one third of the total area of land that should have been under construction and development, or of which the invested amount is less than 25% of the total investment, or of which the construction and development has been suspended for more than one year, may also be regarded as idle land.

Competent departments of land and resources at the municipal or county level shall be responsible for the organization and implementation of the investigation, identification and disposal of idle land within their respective jurisdictions. Except for the circumstances that the delay in the commencement of the construction and development of a plot of State-owned land for construction use is caused by any of the acts of any government or government departments, a plot of idle land shall be disposed of in the following ways:

- where the land has remained idle for more than one year, the competent department of land and resources at the municipal or county level shall, with the approval of the government at the same level, issue the Decision on Collecting Charges for Idle Land to the holder of the land use right and collect the charges for idle land at the rate of 20% of the land assignment or allocation fee, which charges for idle land shall not be included in the production cost by the holder of the land use right;

- where the land has remained idle for more than two years, the competent department of land and resources at the municipal or county level shall, with the approval of the government having the jurisdiction to approve thereof, issue a Decision on Taking Back the Right to Use the State-owned Land for Construction Use to the holder of the land use right to take back the right to use the land without compensation; if any mortgage is created on the idle land, a copy thereof shall be sent to each mortgagee thereof.

On September 21, 2010, the MLR and MOHURD jointly issued the Notice On Further Strengthening the Administration and Control of Real Estate Land and Construction (關於進一步加強房地產用地和建設管理調控的通知), which stipulates, among other things, that land developers shall commence construction of a housing project within one year from the date of delivery of the land set forth in the land grant contract and shall complete construction within three years from the commencement date. If a developer is unable to commence construction timely as a result of its application for adjusting the land planning or construction conditions, the relevant land use right shall be revoked from such land developer and be re-granted through a new bidding, auction or listing procedure. If a land parcel is left idle for more than a year for reasons solely attributable to the developer, such developer will be banned from participating in land-granting activities for other land parcels for a certain period of time.

On January 3, 2008, the State Council promulgated the Circular on Conservation of Intensive Land Use (國務院關於促進節約集約用地的通知), which seeks to:

- examine and adjust all ranges of site planning and land use standards in line with the principle of economic and intensive land use; project designs, construction and approval of construction shall all be subject to stringent land use standards;

- urge all localities to enforce policies for the disposal of idle land; where a piece of land has been idle for two full years and may be retrieved unconditionally as statutorily required, such land shall be retrieved and arrangements for its use shall be made, and where a piece of land has been idle for one year but less than two years, an idle land charge valued at 20% of the land assignment premium shall be levied on the land user;

- vigorously guide the use of unused and abandoned land and encourage the development and utilization of aboveground and underground space;

- strictly implement the tender, auction and listing-for-sale regime for land intended for industrial and business purposes; where the total land premium is not paid in full in compliance with contractual agreement, the land use certificate shall not be issued, nor shall it be issued in proportion to the ratio between the paid-up land premium and the total land premium;

- make reasonable arrangements on residential land and persist on banning land supply for real estate development projects for villas, and strictly prohibit unauthorized conversion of agricultural land into construction land;

- strengthen supervision and inspection of intensive land use conservation; and

- discourage financial institutions from granting loans and providing finance to property development enterprises whose real estate development project is less than one quarter invested, occupies an area less than one third and/or was commenced over one year after the project commencement date, in each case as stipulated in the contract for the assignment of land.

On January 26, 2011, the State Council promulgated the Notice on Further Implementing Real Estate Market Control Measures (關於進一步做好房地產市場調控工作有關問題的通知), pursuant to which relevant authorities shall withdraw land use rights from land developers who do not obtain construction permits within a two-year period after the land grant date and shall impose certain monetary penalties on developers that leave a land parcel idle for more than a year.

On February 26, 2013, the General Office of the State Council promulgated Notice of Continuing to Effectively Regulate the Real Estate Market (關於繼續做好房地產市場調控工作的通知), pursuant to which different governmental agencies shall work together to establish cross agency credit system to publicize and take more effective measure against illegal activities such as possession of idle land, land speculation, driving up housing prices etc. The MLR shall prohibit real estate developers engaging in such illegal activities from bidding for new land plots, financial institutions shall not grant loans for their new development projects, securities regulatory authorities shall suspend the approval of their applications for listing, refinancing or major asset restructuring, and banking regulatory authorities shall prohibit them from raising funds through trust schemes.

On May 23, 2012, the MLR issued the Circular on the Issuance and Implementation of the Catalog for Restricted Land Use Projects (2012 Version) and the Catalog for Prohibited Land Use Projects (2012 Version) (關於發布實施《限制用地項目目錄 (2012年本)》和《禁止用地項目目錄(2012年本)》的通知), updating the Supplement to the 2006 Version. In this circular, the MLR also restricted the area of land that may be granted by local governments for development of commodity housing to seven hectares for small cities and towns, 14 hectares for medium-sized cities and 20 hectares for large cities.

***Planning of a property project***

According to the Measures for Control and Administration of the Grant and Transfer of the Right to Use Urban State-owned Land (城市國有土地使用權出讓轉讓規劃管理辦法) promulgated by MOHURD on December 4, 1992, implemented on January 1, 1993 and amended on January 26, 2011, after signing the contract for the assignment of land use rights, a property development enterprise shall apply for a

project survey and a construction land planning permit from the city planning authority. After obtaining a construction land planning permit, a property development enterprise shall organize the necessary planning and design work in accordance with planning and design requirements and apply for a construction works planning permit from the city planning authority.

The Urban and Rural Planning Law (城鄉規劃法), promulgated by the Standing Committee of the National People's Congress in October 2007 which became effective in January 2008 and was amended on April 24, 2015 and April 23, 2019, provides regulations with respect to the formulation, implementation, modification, control, supervision and related legal liability of measures aimed at curbing problems that may arise as a result of conflicts between city and rural construction developments. The scope of the measures includes the planning, layout and construction of cities, towns with administrative status, market towns and villages. In order to effectively prevent construction that is in breach of rules and regulations, the Urban and Rural Planning Law stipulates that where any construction project is commenced without obtaining a construction works planning permit, or where a construction works planning permit has been obtained but construction has proceeded not in accordance with that permit, the Urban and Rural Planning Department at the county level or above may issue an order to cease construction. In the case that the construction can be remedied to conform to the relevant planning rules, an order can be made to rectify the construction in a prescribed period of time and a fine totaling between 5% to 10% of the total construction cost may be imposed. Where the construction cannot conform to relevant planning rules, an order for its demolition will be issued or, where demolition is not possible, the property and/or illegal income derived from the property will be confiscated and a fine totaling 10% or less of the construction cost will be imposed.

On November 30, 2009, MOHURD and the Office of the Leading Group for Addressing Problems Regarding Unauthorized Change of Planning and Adjustment of the Floor Ratio in Real Estate Development under the Ministry of Supervision jointly promulgated the Notification on Further Implementation of the Special Project to Address Problems Regarding Unauthorized Changes to the Planning and Adjustment of the Floor Area Ratio (關於深入推進房地產開發領域違規變更規劃調整容積率問題專項治理的通知) which re-emphasized the need to rectify, investigate and punish property development enterprises which undertake any unauthorized adjustment of the floor area ratio.

***Construction of a property project***

According to the Measures for the Administration of Construction Permits for Construction Projects (建築工程施工許可管理辦法) promulgated by MOHURD on October 15, 1999 and as amended on July 4, 2001, June 25, 2014 and September 19, 2018, after obtaining the construction works planning permit, a property development enterprise shall apply for a construction works commencement permit from the construction authority under the local people's government at the county level or above. The Notice Regarding the Strengthening and Regulation of the Management of New Projects (關於加強和規範新開工項目管理的通知), promulgated by the General Office of the State Council on November 17, 2007, regulates the conditions for commencing investment projects, establishes a mechanism for the coordination of government departments regarding new projects, strengthens the statistics and information management and tightens the supervision and inspection of new projects.

***Completion of a property project***

According to the Development Regulations and the Regulation on the Quality Management of Construction Projects (建設工程質量管理條例) promulgated by State Council on January 30, 2000, as amended in 2017 and 2019, the Interim Measures for Reporting Details Regarding Acceptance Examination Upon Completion of Buildings and Municipal Infrastructure (房屋建築和市政基礎設施工程竣工驗收備案管理 辦法) promulgated by MOHURD in April 2000 and amended in October 2009 and the Provisions on Acceptance Examination Upon Completion of Buildings and Municipal Infrastructure (房屋建築和市政基礎設施工程竣工驗收規定) promulgated by MOHURD in December 2013, after the completion of construction of a project, the property must undergo inspection and receive relevant approvals from local authorities including planning bureaus, fire safety authorities and environmental protection authorities. Thereafter, the property development enterprise shall apply for a certificate of

completion at the property development authority under the people's government at the county level or above. Once the examination has been completed, a Record of Acceptance Examination upon Project Completion (工程竣工驗收備案表) will be issued.

**Transfer and Sale of Property**

***Transfer of property***

According to the Urban Property Law and the "Provisions on Administration of Transfer of Urban Property" (城市房地產轉讓管理規定) promulgated by MOHURD on August 7, 1995 and as amended on August 15, 2001, a property owner may sell, bequeath or otherwise legally transfer property to another person or legal entity. When transferring the title to a building, the ownership of the building and the land use rights to the site on which the building is situated are transferred simultaneously. The parties to a transfer shall enter into a property transfer contract in writing and register the transfer with the property administration authority having jurisdiction over the location of the property within 90 days of the execution of the transfer contract.

Where the land use rights were originally obtained by assignment, the real property may only be transferred on the condition that: (a) the assignment price has been paid in full for the assignment of the land use rights as provided by the contract for the assignment of the land and a land use rights certificate has been obtained; (b) development has been carried out according to the contract for the assignment of the land and, in the case of a project in which buildings are being developed, development representing more than 25% of the total investment has been completed.

If the land use rights were originally obtained by assignment, the term of the land use rights after transfer of the property shall be the remaining portion of the original term provided by the contract for the assignment of the land after deducting the time that has been used by the former land user(s). In the event the transferee intends to change the use of the land provided in the original contract for the assignment of the land, consent shall first be obtained from the original grantor and the planning administration authority under the local government of the relevant city or county and an agreement to amend the assignment contract or a new contract for the assignment of the land shall be signed in order to, amongst other matters, adjust the land use rights assignment price accordingly.

If the land use rights were originally obtained by allocation, transfer of the real property shall be subject to the approval of the government vested with the necessary approval power as required by the State Council. Upon such approval, the transferee shall complete the formalities for transfer of the land use rights, unless the relevant statutes require no transfer formalities, and pay the transfer price according to the relevant statutes.

On January 26, 2011, the State Council promulgated the Notice on Further Implementing Real Estate Market Control Measures (關於進一步做好房地產市場調控工作有關問題的通知), pursuant to which land developers whose actual investment do not exceed 25% of the planned amount shall, under no circumstances, transfer such land development project as well as the land use rights.

***Sale of commodity buildings***

Pursuant to the Regulatory Measures on the Sale of Commodity Buildings (商品房銷售管理辦法) promulgated by MOHURD on April 4, 2001 and implemented on June 1, 2001, sale of commodity buildings can include both pre-completion sales (pre-sale) and post-completion sales.

On March 16, 2011, NDRC promulgated the Regulation on Price of Commodity Property (商品房銷售明碼標價規定), which took effect on May 1, 2011. According to the regulation, property developers are required to make public the sale price of each of apartment of the commodity properties for sale or pre-sale and the number of apartments available for sale or pre-sale within a certain time period. Property developers are also required to state factors that would affect housing prices and relative charges before the property transaction, such as commission fee and property management fee. No additional charge beyond what is stated in the price tag or made public by the property developers is permitted.

Commodity buildings may be put to post-completion sale after they have passed the clearance examination and otherwise satisfy the various preconditions for such sale. Before the post-completion sale of a commodity building, the developer must, among other things, submit the Real Estate Development Project Manual and other documents evidencing the satisfaction of preconditions for post-completion sale to the real estate development authority for its record.

***Permit for pre-sale of commodity buildings***

According to the Development Regulations and the Measures for Administration of Pre-sale of Commodity Buildings (城市商品房預售管理辦法) (the "Pre-sale Measures") promulgated by MOHURD on November 15, 1994 and as amended on August 15, 2001 and July 20, 2004, the pre-sale of commodity buildings shall be subject to a licensing system, and a property development enterprise intending to sell a commodity building before its completion shall register with the property development authority of the relevant city or county to obtain a pre-sale permit. A commodity building may be sold before completion only if: (a) the assignment price has been paid in full for the grant of the land use rights involved and a land use rights certificate has been obtained; (b) a construction works planning permit and construction works commencement permit have been obtained; (c) the funds invested in the development of the commodity buildings put to pre-sale represent 25% or more of the total investment in the project and the progress of works and the completion and delivery dates have been ascertained; and (d) the pre-sale has been registered and a pre-sale permit has been obtained.

***Supervision of pre-sale income of commodity buildings***

According to the Pre-sale Measures, the income of a property development enterprise from the pre-sale of commodity buildings must be used for the construction of the relevant project. The specific measures for the supervision of the income from the pre-sale of commodity buildings shall be formulated by the relevant property administration authorities.

***Conditions of the sale of post-completion commodity buildings***

Under the regulatory Measures on the Sale of Commodity Buildings (商品房銷售管理辦法), commodity buildings may be put to post-completion sale only when the following preconditions have been satisfied: (a) the property development enterprise shall have a business license and a qualification certificate of a property development enterprise; (b) the enterprise shall obtain a land use rights certificate or other approval documents for land use; (c) the enterprise shall have the construction works planning permit and construction works commencement permit; (d) the building shall have been completed, inspected and accepted as qualified; (e) the relocation of the original residents shall have been completed; (f) the provision of essential facilities for supplying water, electricity, heating, gas, communication, etc. shall have been made ready for use, and other essential utilities and public facilities shall have been made ready for use, or a date for their construction and delivery shall have been specified; (g) the property management plan shall have been completed.

Before the post-completion sale of a commodity building, a property development enterprise shall submit the property development project manual and other documents evidencing the satisfaction of preconditions for post-completion sale to the property development authority.

***Regulations on transactions of commodity buildings***

According to the Development Regulations and the Pre-sale Measures, for the pre-sale of commodity buildings, the developer shall sign a contract on the pre-sale of a commodity building with the purchaser. The developer shall, within 30 days after signing the contract, apply for registration and filing of the pre-sale commodity building with the relevant property administration authorities.

Pursuant to the Circular of the General Office of the State Council on Forwarding the Opinions of the Ministry of Construction and other Departments on Stabilizing House Prices (國務院辦公廳轉發建設部等部門關於做好穩定住房價格工作意見的通知) issued on May 9, 2005:

- a buyer of a pre-sold commodity building is prohibited from conducting any further transfer of the commodity building before construction has been completed and a property ownership certificate obtained. If there is a discrepancy in the name of the applicant for property ownership and the name of the advance buyer in the pre-sale contract, the property administration authorities shall not register the application for property ownership; and

- a real name system is applied for each property purchase transaction and an immediate archival filing network system is in place for pre-sale contracts of commodity buildings.

On April 1, 2017, the MOHURD and MLR jointly promulgated the Notice on Reinforcing Recent Works of Management and Regulation of Housing and Land Supply (關於加強近期住房及用地供應管理和調控有關工作的通知) which requires, among other things, that to regulate the pre-sale of commodity property project: (i) in cities with contradiction between supply and demand and with the pressure of rising property prices, housing projects which have satisfied pre-sale conditions yet delayed to list for property hoarding shall be sanctioned; and (ii) in order to reinforce the supervision of fairly pricing of commodity property, the transaction price of commodity housing should be reported with explicit pricing on a case-by-case basis.

From September 2017, there were new policies to restrict property sales issued in many cities such as Changsha, Xi'an, Chongqing, Nanchang, Shanghai, Chengdu, Qingdao, Dongguan and Beijing. The purchase restriction policy of Changsha was issued on September 23, 2017. Purchasing of commodity property requires the acquisition of the real property ownership certificate for three years before it can be listed and traded, and it will take three years to purchase another property in the city.

From September 25, 2017, the commodity property projects must be declared to Xi'an Administration for Commodity Prices before obtaining the pre-sale license or having obtained a pre-sale license but have not sold the commodity housing, or before the adjustment of price. On September 22, 2017, The Nanchang Housing Security and Housing Administration Bureau issued the Notice of the Nanchang City General Office of the People's Government on Further Strengthening the Regulatory Work of the Real Estate Housing Market. The Notice pointed out that Nanchang implements the policy of restricting house prices and bidding for land prices, also implements a policy of residential sales restriction. On September 22, 2017, the Notice of the Chongqing Bureau of Land and Housing Administration on Strengthening the Management of the Repurchase of Newly Purchased Housing in the main Area was issued by Chongqing Government (the "Notice"). According to the Notice, all the newly-built commercial housing and second-hand housing within the main area must be listed after they have obtained the property right ownership certificate for two years. On August 3, 2017, Beijing Committee of Municipal and Rural Construction issued the Interim Measures on the management of Mutual Property Right Housing. "Mutual Property Right Housing" means the government and the purchaser share property rights, and the government transfers parts of the "right of use" of the property to the purchasers, in order to meet the rigid demand of those without housing. On April 19, 2018, Qingdao Housing Security and Housing Administration Bureau issued the Notice on Continually Promoting the Smooth and Orderly Operation of the Real Estate Market in Qingdao. According to the notice, all newly-built commercial housing and second-hand housing can be listed after obtaining the property ownership right certificate for five years. On May 15, 2018, Chengdu Housing Security and Housing Administration Bureau issued the Notice of the Chengdu City General Office of the People's Government on Further Promoting the Regulatory Policy of the Real Estate Housing Market. The notice provided that newly-built commercial housing and second-hand housing can be transferred after obtaining the property ownership right certificate for three years. On May 10, 2018, Dongguan Housing Security and Housing Administration Bureau implemented a newly-built commercial housing recording policy. The policy provides that the selling price of newly-built commercial housing shall not be increased once recorded. According to the Provisional Regulations on Regulating the Purchase of Commercial Housing by Enterprises issued by the Shanghai Municipal Commission of Housing and Urban-Rural Development, from July 3, 2018, enterprises in Shanghai are required to have been established for five years before they could obtain property ownership right certificates, and they can only sell second-hand housing after they have had the property ownership right certificate for five years.

The highlights of the Measures are reflected in the following aspects: First, the housing distributed to the "New Beijingers" is no less than 30%. Each district government reasonably arranges the mutual property right housing land according to the demand. Among them, the housing that fits the needs of non-domestic residents working in this district should be no less than 30%. Secondly, is the online application — "More data, less labor", which aims to provide more efficient and convenient service. The third is to standardize the exit mechanism.

***Mortgages of property***

Under the Urban Property Law, the Guarantee Law of the People's Republic of China (中華人民共和國擔保法) promulgated by the Standing Committee of the National People's Congress on June 30, 1995 and implemented on October 1, 1995, and the Measures on the Administration of Mortgages of Property in Urban Areas China (城市房地產抵押管理辦法) promulgated by MOHURD in May 1997 and as amended on August 15, 2001, when a mortgage is lawfully created on a building, a mortgage shall be simultaneously created on the land use rights of the land on which the building is situated. When the land use rights acquired through means of assignment are being mortgaged, the buildings on the land shall be simultaneously mortgaged. The land use rights of town and village enterprises cannot be mortgaged. When buildings owned by town and village enterprises are mortgaged, the land use rights occupied by the buildings shall at the same time also be mortgaged. The mortgagor and the mortgagee shall sign a mortgage contract in writing. Within 30 days after a property mortgage contract is signed, the parties to the mortgage shall register the mortgage with the property administration authorities at the location where the property is situated. A property mortgage contract shall become effective on the date of registration of the mortgage. If a mortgage is created on property in respect of which a house ownership certificate has been obtained, the registration authority shall make an entry under the "third party rights" item on the original house ownership certificate and then issue a certificate of third party rights to the mortgagee. If a mortgage is created on the commodity building put to pre-sale or under construction, the registration authority shall record the details on the mortgage contract. If construction of a real property is completed during the term of a mortgage, the parties involved shall re-register the mortgage after the issuance of certificates evidencing the ownership of the property.

On January 26, 2011, the State Council issued the "Notice on Further Strengthening Regulation and Control of Real Property Markets" (關於進一步做好房地產市場調控工作有關問題的通知), requiring: (i) a minimum down payment of at least 60% of the total purchase price with a minimum mortgage lending interest rate of 110% of the benchmark rate published by PBOC for the purchase of a second residential property; and (ii) in municipalities directly under the central government, cities listed on state plans, provincial capitals, and cities where the housing prices are overly high or increasing at an excessively high rate, purchasers (including their spouses and minor children) that are local residents with two or more residential properties, non-local residents with one or more residential properties, or non-local residents that are unable to provide documentation evidencing payment of local tax or social security for longer than a specified time period, are not permitted to acquire any residential properties. In order to implement the Notice on Further Strengthening Regulation and Control of Real Property Markets, certain cities, including Beijing, Shanghai, Haikou, Dalian, Chengdu and Fuzhou, have promulgated measures to restrict the number of residential properties one family is allowed to purchase.

***Leases of buildings***

Under the Urban Property Law and the Measures for Administration of Leases of Property in Urban Areas, the parties to a lease of a building shall enter into a written lease contract. A system has been adopted to register the leases of buildings. When a lease contract is signed, amended or terminated, the parties shall register the details with the property administration authority under the local government of the city or county in which the building is situated.

From December 2017, more than 50 cities have introduced housing lease policies. Beijing, Shanghai, Chengdu, Wuhan and other cities have successively introduced a new round of housing lease policies, many banks and property enterprises have also issued development planning of housing lease.

***Financing property development and acquisition***

The PBOC issued the Circular on Further Strengthening the Management of Property Loans (關於進一步加強房地產信貸業務管理的通知) on June 5, 2003 to specify the requirements for banks to provide loans for the purposes of residential development, individual home mortgages and individual commodity buildings as follows:

- Property loans by commercial banks to property development enterprises shall be granted only in respect of a particular item of property development rather than to meet cash flow or other financing demands. Loans of any kind must not be granted for projects which do not obtain a land use rights certificate, construction land planning permit, construction works planning permit and construction works commencement permit.

- Commercial banks shall not grant loans to property development enterprises to pay off land premiums.

- Commercial banks may only provide housing loans to individual buyers when the main structural buildings have been topped out. When a borrower applies for an individual home loan for their first residential unit, the minimum first installment remains unchanged at 20%. In respect of a loan application for any additional purchase of a residential unit(s), the percentage of the first installment shall be increased.

Pursuant to the Guidance on Risk Management of Property Loans from Commercial Banks (商業銀行房地產貸款風險管理指引) issued by the CBRC on August 30, 2004, any property development enterprise applying for property development loans shall have at least 35% of the capital required for the development.

According to the Notice of the People's Bank of China on the Adjustment of Commercial Bank Housing Credit Policies and the Interest Rate of Excess Reserve Deposits (中國人民銀行關於調整商業銀行住房信貸政策和超額準備金存款利率的通知) promulgated by the PBOC on March 16, 2005, from March 17, 2005, in cities and areas where there has been a rapid increase in house prices, the minimum first installment for individual house loans increased from 20% to 30%. Commercial banks can independently determine the particular cities or areas under such adjustment according to the specific situation in different cities or areas.

On May 24, 2006, the General Office of the State Council issued the Opinions of the Ministry of Construction and other Departments on Adjusting the Housing Supply Structure and Stabilizing Housing Prices (關於調整住房供應結構穩定住房價格的意見). The regulations relating to property credit are as follows:

- commercial banks shall not provide loans to those property enterprises that fail to meet loan conditions, such as having a project capital of less than 35%.

- for property development enterprises that have large volumes of idle land and vacant commodity buildings, the commercial banks shall, in light of the principle of prudential operations, be stricter in controlling the renewal of loans or any form of revolving credit.

- the commercial banks shall not accept any commodity building that has been idle for three or more years as collateral for loans.

According to the Opinion on Regulating the Access to and Management of Foreign Capital in the Property Market (關於規範房地產市場外資准入和管理的意見), foreign-invested property enterprises which have not paid up their registered capital, failed to obtain a land use rights certificate, or which have less than 35% of the capital for the project, will be prohibited from obtaining a loan in or outside China, and SAFE shall not approve the registration of foreign loans from such enterprises. On September 27, 2007, the PBOC and the CBRC issued the Notice on Strengthening the Management of Commercial Real Estate Credit and Loans (關於加強商業性房地產信貸管理的通知) (the "2007 Notice"). The 2007 Notice puts forward requirements for the purpose of strengthening processes for loan management, including by means of credit checks, monitoring of real estate loans and risk management, in respect of (a) real estate development, (b) land reserves, (c) housing consumption and (d) the purchase of commercial buildings.

Pursuant to the 2007 Notice, commercial banks shall not grant loans in any form, to (a) projects where the capital funds (owner's equity) constitutes less than 35%, or, projects without a land use rights certificate, construction land planning permit, construction works planning permit and construction works commencement permit; and (b) property development enterprises that have been hoarding land and housing resources, as detected and verified by land resources departments and construction authorities. Furthermore, commercial banks are not permitted to accept commodity buildings with a vacancy exceeding three years as collateral for a loan, and may not grant property development enterprises any loans for the payment of relevant land assignment premiums.

In respect of loans for individual housing consumption, commercial banks are only permitted to grant housing loans to individuals who purchase commodity buildings the construction of which have reached the "topping out of the main structure" stage. Where an individual purchases his or her first commodity apartment for self residence purpose, (a) of a construction area is below 90 sq.m., the minimum down payment shall be fixed at no less than 20%; and (b) if the construction area is above 90 sq.m., the minimum down payment shall be fixed at no less than 30%. Where an individual has purchased a commodity apartment by means of such loan and proceeds to purchase a second (or more) home, the minimum down payment shall be no less than 40% and the interest rate shall not be under 110% of the benchmark interest rate as announced by the PBOC during same period and in same bracket. Further, the minimum down payment and the interest rate shall both rise with the increase in the number of homes purchased, with the increased percentage rates to be determined by commercial banks, at their own discretion, according to principles of loan risk management. However, the monthly repayments for housing loans shall not exceed 50% of the individual borrower's monthly income.

In respect of commercial building loans, commercial buildings purchased by loan shall be buildings that have satisfied procedural requirements of completion inspection and acceptance. For such purchase, the minimum down payment shall be no less than 50%, the loan term shall not exceed 10 years and the interest rate shall not be under 110% of the benchmark interest rate as announced by the PBOC during the same period and in same bracket. Where a loan application is in connection with a commercial and residential building, the minimum down payment shall be no less than 45% and the loan term and interest rate shall be arranged according to relevant regulations.

The Supplemental Notice on Strengthening the Management of Commercial Real Estate Credit and Loans (關於加強商業性房地產信貸管理的補充通知) (the "Supplemental Notice"), jointly issued by the PBOC and the CBRC and dated December 5, 2007, sets forth supplemental requirements in respect of strengthening housing consumption loan management, mainly including the following:

- assess the number(s) of housing loan with the borrower's family as the basic calculation unit;
- stipulate conditions under which the housing loan policy for first home buyers shall serve as the referential basis for bank loans; and
- where a family that has already purchased a commodity apartment via housing provident fund makes a housing-loan application to commercial banks, the requirements set forth in the Notice shall be duly satisfied in accordance with the Notice.

As stipulated in the Supplemental Notice, in the event an applicant is found to have presented false information and certifications, all commercial banks shall deem the loan application unacceptable.

Since the second quarter of 2008, the PRC government has implemented a series of policies intended to strengthen and improve the sound development of the real estate market.

On May 26, 2008, the CBRC issued the Notice on Further Strengthening Risk Management in the Provision of Credit to the Real Estate Market (關於進一步加強房地產行業授信風險管理的通知). To combat property development enterprises who (a) "falsify mortgages" by using forged property sale contracts; (b) process "falsified down payments" from borrowers by accepting initial repayments in the pre-sale stage, paying for buyers in advance or by other means; or (c) mislead banks about decisions over the provision of loans by forging their sale performances or house prices as well as other problems arising in the real estate market, the Notice requires each commercial bank to:

- strictly follow the policies and conditions related to the provision of loans to individuals;
- improve the monitoring of the qualifications of borrowers;
- rigorously examine the enterprise credit ratings of property development enterprises; and
- upon discovering that a property development enterprise has engaged in the "falsification of mortgages," "falsification of down payments," "forgery of house prices" or other such behavior, terminate the individual housing loans or development loans extended to such developer. Property development enterprises suspected of committing such crimes shall be referred to the judicial organs for further investigation.

On October 22, 2008, the People's Bank of China issued the Circular on the Expansion of the Downward Adjustment Range for Interest Rates of Commercial Individual Mortgage Loans and Related Issues (中國人民銀行關於擴大商業性個人住房貸款利率下浮幅度等有關問題的通知) which decreased the minimum down payment for residential property purchasers to 20% and reduced the minimum mortgage loan rates for such purchases to 70% of the benchmark interest rate starting from October 27, 2008.

- On December 20, 2008, the General Office of the State Council issued Several Opinions on Promoting the Sound Development of the Real Estate Market (關於促進房地產市場健康發展的若干意見), which provides the following regarding loans for property businesses.
- The purchase of regular commodity houses for residential purposes is to be encouraged. In addition to extending favorable interest rates and loan policies to first time buyers of apartments for self-residential purposes, individuals with an existing home in which the per person floor area is smaller than the local average may buy a second apartment for self residential purposes under favorable loan terms similar to those that apply to first-time buyers.

If individuals purchase a second apartment or more for any other purpose, the interest rate shall be determined according to potential risks by commercial banks and based on the benchmark interest rate.

- The proper financing requirements for property development enterprises should be adhered to. Commercial banks shall increase credit financing services available to ordinary commercial housing construction projects, provide financial support and other related services to property development enterprises engaged in merger and restructuring activities, and support the approval of bond issuances by property development enterprises.

The State Council issued the Notice on Adjusting the Minimum Capital Requirement for Capital Funding for Fixed Assets Investment (關於調整固定資產投資項目資本金比例的通知) on May 25, 2009, which provides for the reduction of the minimum capital requirement for affordable residential housing projects and regular commodity residential houses from 35% to 20%, and for other property projects to 30%. When providing credit finance support and services, financial institutions shall determine, at their own discretion, whether to grant a loan and the amount of the loan having regard to the minimum capital requirement as determined by the state.

On April 17, 2010, the State Council issued the Notice on Firmly Preventing Property Price from Increasing Too Rapidly in Certain Cities (關於堅決遏制部分城市房價過快上漲的通知), pursuant to which the State Council raised the minimum down payment for second home purchases to 50% and set a minimum 30% down payment on first homes with a GFA of more than 90 sq.m. Further, the notice also stipulates that interest rates for mortgage loans for second homes cannot be lower than 110% of the PBOC benchmark lending rate; and interest rates for mortgage loans and minimum first installments for third or subsequent homes shall be increased substantially.

On May 26, 2010, MOHURD, the PBOC and the CBRC jointly issued the Circular on Regulating the Criteria for Identifying the Second Residential Properties in Connection with Personal Commercial Housing Loans (關於規範商業性個人住房貸款中第二套住房認定標準的通知), which provides, among others, that the number of residential properties owned by an individual property purchaser who is applying for mortgage loans shall be determined by taking into account of the total number of residential properties owned by the household of such purchaser (including the purchaser and his or her spouse and children under the age of 18 years). In addition, the circular describes a number of circumstances under which different credit policies shall be applied in connection with purchases of the second or further residential property.

To strengthen property market regulation and enhance the implementation of these existing policies, on September 29, 2010, the PBOC and CBRC jointly issued the Notice on Relevant Issues Regarding the Improvement of Differential Mortgage Loan Policies (關於完善差別化住房信貸政策有關問題的通知), according to which the minimum down payment has been raised to 30% for all first home purchases, and commercial banks throughout China are required to suspend mortgage loans for purchases of a customer's third parcel of residential property and beyond.

On September 24, 2015, PBOC and CBRC jointly issued the Notice of the People's Bank of China and the China Banking Regulatory Commission on Further Improving the Relevant Issues concerning the Differential Housing Credit Policy (中國人民銀行、中國銀行業監督管理委員會關於進一步完善差別化住房信貸政策有關問題的通知), which provides that in cities where "property purchase control measures" are not implemented the minimum down payment ratio of a personal housing commercial loan obtained by a household to finance the purchase of the first ordinary residential property is adjusted to 25%.

In November 2010, MOHURD, Ministry of Finance and PBOC jointly promulgated the Notice on Relevant Issues Concerning Policies of Regulation of Individual Housing Reserve Loan (關於規範住房公積金個人住房貸款政策有關問題的通知), which provides, among other things, that: (i) where a first-time house purchaser (including the borrower, spouse and minor children) uses housing reserve loans to buy an ordinary house for self-use with a unit floor area: (a) equal to or less than 90 sq.m., the minimum down payment shall be at least 20%, (b) more than 90 sq.m., the minimum down payment shall be at least 30%;

(ii) for a second-time house purchaser that use housing reserve loans, the minimum down payment shall be at least 50% with the minimum lending interest rate of 110% of the benchmark rate; (iii) the second housing reserve loan will only be available to families whose per capita housing area is below the average in locality and such loan must only be used to purchase an ordinary house for self-use to improve residence conditions; and (iv) housing reserve loans to families for their third residential property and beyond will be suspended.

On February 1, 2016, PBOC and CBRC jointly issued the Circular of the People's Bank of China and China Banking Regulatory Commission on Issues Concerning Adjusting the Individual Housing Loan Policies (中國人民銀行、中國銀行業監督管理委員會關於調整個人住房貸款政策有關問題的通知). The circular specifies that, in principle, in the cities where property purchase control measures are not implemented, the minimum down payment ratio of a personal housing commercial loan obtained by a household to finance the purchase of its first ordinary residential property shall be 25% of the purchase price, however local authorities have been allowed to adjust such down payment ratio to 20%. Meanwhile, with respect to a household that already owns a residential property with unsettled personal housing commercial loan and applies for another personal housing commercial loan to purchase another ordinary residential property for the purpose of improving living conditions, the minimum down payment ratio for that purchase shall be at least 30% of the corresponding purchase price.

On September 29, 2015, MOHURD, Ministry of Finance and People's Bank of China jointly issued the Notice of the Ministry of Housing and Urban-Rural Development, the Ministry of Finance and the People's Bank of China on Effectively Raising the Efficiency of Housing Provident Funds Use (住房和城鄉建設部、財政部、中國人民銀行關於切實提高住房公積金使用效率的通知), which took effect on 8 October 2015.The actual amount that can be borrowed by housing provident funds shall be increased. A city with districts where less than 85% of housing provident funds are used by the end of August 2015 shall take into comprehensive consideration the local housing price level, loan demand and borrowers' repayment abilities to increase the actual amount of personal housing loans that can be borrowed by housing provident funds. Under the premise of ensuring the basic living expenses of a borrower, the maximum monthly loan repayment by the borrower shall be controlled within 50% to 60% of his/her monthly income. The loan repayment period may be extended to five years after the borrower's statutory retirement age, subject to a maximum of 30 years. The business of monthly transfer of housing provident funds for loan service shall be pushed forward.

In November 2010, MOHURD and SAFE jointly promulgated the Notice on Further Regulating Administration of Purchase of Houses by Overseas Institutions and Individuals (關於進一步規範境外機構和個人購房管理的通知), pursuant to which an overseas individual can only purchase one residential property for self-occupation within the PRC and an overseas institution which has established a branch or representative office in the PRC can only purchase non-residential properties for business use in the city where it is registered within the PRC.

On January 26, 2011, the State Council promulgated the Notice on Further Implementing Real Estate Market Control Measures (關於進一步做好房地產市場調控工作有關問題的通知), which stipulates, among other things, that: (i) the minimum down payment for purchases of a second residential property is raised to 60%; (ii) interest rates for mortgage loans for a second residential property shall not be lower than 110% of the PBOC benchmark lending rate; and (iii) in certain geographical areas, local families who own one residential property may, in principle, purchase a second residential property; non-local families who can provide local tax or social insurance records for a certain number of years may, in principle, purchase one residential property; local families who own two residential properties or more, non-local families who own one residential property or more, and non-local families who are unable to provide local tax or social insurance records for a certain number of years shall be temporarily prohibited from purchasing any residential property in the local area.

On February 26, 2013, the executive meeting of the State Council chaired by Premier Wen Jiabao issued a document emphasizing the strict implementation of tightening measures for the real estate market. The measures include completing a system of responsibility for stabilizing housing prices; restraining purchases of residential housing for investment and speculation purposes; expanding the supply of both ordinary commodity housing and of land; accelerating construction of affordable housing projects; and strengthening market supervision.

On February 26, 2013, the State Council issued the Notice on Continuing Adjustment and Control of Property Markets (關於繼續做好房地產市場調控工作的通知) which requires, among other restrictive measures:

(i) *Improving the responsibility system for stabilizing housing prices*. Municipalities directly under the central government, cities listed on state plans and provincial capitals (excluding Lhasa), must set an annual objective for controlling housing prices and publish annual new commodity housing price control target in the first quarter of the year.

(ii) *Firmly restraining purchases of residential housing for investment and speculation purposes*. Municipalities directly under the central government, cities listed on state plans and provincial capitals (excluding Lhasa) which have implemented restrictions on the real estate market are required to cover all administrative areas of the cities as restricted areas, and restricted housing shall include new commodity housing and second-hand housing. Non-local residents who possess one or more residential properties and fail to provide one-year or longer tax payment certificates or social insurance payment certificates are to be barred from purchasing any residential properties located in the administrative area. For cities where housing prices are increasing at an excessively high rate, local branches of the PBOC may further raise the down-payment rate and mortgage interest rate for the purchase of a second residential property. In addition, the state will strictly enforce a 20% tax on home sale profits.

(iii) *Expanding ordinary commodity housing units and increasing the supply of land*. The overall housing land supply in 2013 shall not be lower than the average actual land supply in the past five years. Financial institutions, subject to credit requirements, are to prioritize requests for loans for ordinary commodity housing construction projects in which medium and small housing units constitute 70% or more of the total units in such construction project.

On September 29, 2014, the People's Bank of China and the China Banking Regulatory Commission promulgated the Circular on Further Improving Residential Housing Financial Services (中國人民銀行、中國銀行業監督管理委員會關於進一步做好住房金融服務工作的通知), which stipulates, among other things, that for a household that borrows a loan to purchase its first ordinary owner-occupied residential property, the minimum down payment ratio of such loan shall be 30%, and the floor of the loan interest rate shall be at 0.7 times the benchmark lending rate. Where a household that owns an existing property for which the property purchase loan has been paid off applies for a new loan to purchase another ordinary commodity housing for the purpose of improving living conditions, the relevant banking financial institution shall adopt the lending policies applicable to the first owner-occupied residential property. In cities where "property purchase control measures" have been cancelled or are not implemented, if a household that owns two or more existing properties for which the property purchase loans have been paid off applies for a new loan to purchase yet another new property, the relevant banking financial institution shall specifically determine the down payment ratio and the loan interest rate in a prudent manner based on the borrower's repayment capability, credit standing and other factors. A banking financial institution may according to the local urbanization development planning, disburse housing loans to non-local residents who satisfy policy conditions.

From 2016 onwards, cities with the pressure of rising property prices successively issued local regulations to stabilize the property market through financial measures. Beijing, for instance, its local authorities issued the Notice on Perfecting Commercial Housing Sales and Differentiated Credit Policy (關於完善商品房住房銷售和差別化信貸政策的通知) and specified that residential households without housing and commercial housing loan history could apply for the first-house purchase policy and the initial payment is no less than 35%; for residential households with house ownership or housing loan history, the initial payment is no less than 60%. For Shenzhen residential households without housing and loan history, their initial payment is no less than 30%; for those without housing but with loan history, the initial payment is no less than 50%; and for those with housing, the initial payment is no less than 70%, etc.

On March 30, 2015, the PBOC, CBRC and Ministry of Housing and Urban-rural Development jointly issued the Notice on Issues of Individual Mortgage Loans Policies (關於個人住房貸款政策有關問題的通知) to lower the minimum down payment to 40% for a family that owns a residential property and has not paid off its existing mortgage loan applying for a new mortgage loan to purchase another ordinary residential property to improve living conditions and allow banks at their own discretion to decide the down payment ratio and loan interest rate taking into consideration the solvency and credit standing of the borrowers.

Where the family of a worker who pays housing provident fund contributions uses a housing provident fund commission loan to purchase the first residential property to be used as the purchaser's residence, the minimum down payment ratio is 20%; where the family of a worker who already owns one residential property, of which relevant housing loan has been settled, files a new application for a housing provident fund commission loan for purchasing of another residential property as the purchaser's residence for the purpose of improving its living conditions, the minimum down payment ratio is 30%.

On February 1, 2016, the PBOC and CBRC issued the Circular on Issues Concerning Adjusting Individual Housing Loan Policies (關於調整個人住房貸款政策有關問題的通知) which requires that: (i) in the cities without restrictive measures for purchasing houses, the minimum down payment for the purchase shall, in principle, be 25% of the house price with regard to the residential mortgage for first time purchasers of common residential houses, and the said percentage may be lowered by five percentage points in different regions; (ii) with respect to resident households that own a residential house with an outstanding residential mortgage but apply for another residential mortgage in order to purchase a second house so as to improve living conditions, the minimum down payment for the purchase shall be at least 30% of the corresponding house price; and (iii) in the cities with restrictive measures on purchasing houses, the individual housing loan policies shall be subject to the original provisions.

From September 30, 2016 to date, Shanghai, Suzhou, Wuhan, Beijing, Hangzhou and other cities have issued new property market control policies, including restoring the restriction on purchases of residential properties and tightening credit policy. On October 10, 2016, the MOHURD issued the Circular on Further Regulating Operations of Real Estate Developers to Safeguard the Real Estate Market Order (關於進一步規範房地產開發企業經營行為維護房地產市場秩序的通知), which requires that improper operations of real estate developers shall be investigated and punished according to law. The improper operations include releasing or spreading false housing information and advertisements, maliciously pushing higher and artificially inflating housing prices by fabricating or spreading information on rising property prices and other operations.

On August 11, 2016, Suzhou Municipal People's Government issued the Notice on Further Strengthening the Implementation of Real Estate Market Management in Suzhou City (關於進一步加強蘇州市區房地產市場管理的實施意見的通知), or Notice 119, which formulates several opinions, among others, to increase the supply of land market, adjust the land supply conditions, improve the real estate pre-sale management, strengthen the price management of commercial housing and consummate the differential housing credit policy. According to the Notice 119, for any family which has owned a residential property with unsettled individual commercial housing loan, the family is required to pay a

down payment of no less than 50% of the purchase price in Suzhou city; and for any family which has owned at least two residential properties with unsettled individual commercial housing loan, the family is prohibited from borrowing the housing loan.

On November 14, 2016, Wuhan Municipal People's Government General Office issued the Opinions on Further Promoting the Development of Real Estate Market Stably and Healthily (關於進一步促進我市房地產市場持續平穩健康發展的意見), which require to strengthen the housing transaction restricted measures, increase the supply of the real estate, prevent the land price from raising too fast, improve the real estate pre-sale management, strengthen the supervision of the real estate market and develop the information disclosure and public opinion guidance.

On March 17, 2017, Beijing Municipal Housing and Urban Construction Committee, People's Bank of China Business Administration Department, China Banking Regulatory Commission, Beijing Regulatory Authority and Beijing housing provident fund management center issued the Notice on Perfecting Commercial Housing Sales and Differentiated Credit Policy (關於完善商品住房銷售和差別化信貸政策的通知), which suspended the personal housing loans (including housing provident fund loans) with the term more than 25 years and required that:

- for any family which has no residential property in Beijing nor any record of housing provident fund loan or the commercial housing loans, the ordinary self-housing bought by such family shall be treated as the first residential property and its down payment is no less than 35%; and such family is required to pay a down payment of no less than 40% for the non-ordinary self-housing.

- for any family which has one residential property in Beijing and any family which has no residential property in Beijing but has record of housing provident fund loan or the commercial housing loans, the family is required to pay a down payment of no less than 60% for the ordinary self-housing and no less than 80% for the non-ordinary self-housing.

On March 28, 2017, Hangzhou Housing Security and Real Estate Administration issued the Notice on Further Perfecting Prudential Measures for Purchase Restrictions on Housing and Housing Sales (關於進一步完善住房限購及銷售監管措施的通知), which required that: the city adult residents who are single (including divorced residents) should only purchase a set of housing in the restricted area (including the new commercial housing and second-hand housing); and the family which immigrated to Tonglu, Jiande, Lin'an and Chun'an from other places should purchase the housing since the date of immigration with full two years in the restricted area (including the new commercial housing and second-hand housing).

On August 8, 2017, Beijing Housing Fund Management Center promulgated the Notice on Further Improving Service and Strengthening the Management of Collecting Housing Accumulation Funds (the "Opinions"). According to the opinions, the total local rate of unemployment insurance will be gradually reduced from 1.5% to 1%; the policy of properly reducing the corporate housing accumulation fund's deposit proportion will be implemented, and the introduction or improvement of account migration policy and supporting measures will be promoted.

***Insurance of a property project***

There are no mandatory provisions in PRC laws, regulations and government rules which require a property development enterprise to take out insurance policies for its property projects. However, PRC commercial banks may require the property development enterprise to purchase insurance if the commercial bank intends to grant a development loan to the property development enterprise.

***Environmental protection***

Pursuant to the requirements of relevant laws and regulations such as the Appraisal Measures for the Impact on the Environment of the PRC (中華人民共和國環境影響評價法) implemented by the Standing Committee of the National People's Congress in September 2003 and amended on July 2, 2016 and December 29, 2018, and the Regulations Governing Environmental Protection of Construction Projects (建設項目環境保護管理條例) implemented by the State Council in November 1998 and amended on July 16, 2017, property development enterprises and construction enterprises must carry out an appraisal of the impact the construction project will have on the environment. The relevant project shall not commence until approval is obtained from the supervisory body for environmental protection. While the project is in progress, the developer should also comply with the appraisal documents relating to the impact on the environment and implement the environmental protection measures set out in the opinion of the supervisory body for environmental protection. Such measures must be incorporated into the design, construction and operation of the general construction. Upon completion of the project, the developer should apply to the supervisory body for environmental protection for the inspection and acceptance of the completed environmental protection facilities. Only those projects that have been inspected and accepted may go into operation or be available for use.

***Construction safety***

Under relevant laws and regulations such as the Laws for Safe Production in the PRC (中華人民共和國安全生產法) promulgated by the Standing Committee of the National People's Congress in November 2002 and as amended on August 31, 2014, the property development enterprise should apply to the supervisory department on safety for the registration of supervision for work safety in construction before the commencement of construction. Constructions without such registration will not be granted a construction works commencement permit by the supervisory body. Contractors for the construction should establish the objectives and measures for work safety and improve the working environment and conditions of workers in a planned and systematic way. A work safety protection scheme should also be set up to carry out the work safety job responsibility system. At the same time, contractors should adopt corresponding site work safety protective measures according to the work protection requirements in different construction stages and such measures shall comply with the labor safety and hygiene standards of the State.

Under the Construction Law of the People's Republic of China (中華人民共和國建築法), the construction contractor assumes responsibility for the safety of the construction site. The main contractor will take overall responsibility for the site, and the subcontractors are required to comply with the protective measures adopted by the main contractor.

**Major Taxes Applicable to Property Developers**

***Corporate income tax***

In 2007, the PRC government adopted the PRC Corporate Income Tax Law (中華人民共和國企業所得稅法) and the related implementation rules, which became effective on January 1, 2008 and was amended on February 24, 2017 and December 29, 2018. Under the PRC Corporate Income Tax Law, a unified income tax rate of 25% is applied to all PRC enterprises, including foreign-invested enterprises. Under the PRC Corporate Income Tax Law, enterprises established outside of China whose "de facto management bodies" are located in China are considered "resident enterprises" and are generally subject to the unified 25% corporate income tax rate on their global income.

***Business tax***

In accordance with the Notice on the Adjustment of Business Tax for the Transfer of Individual Homes (關於調整個人住房轉讓營業稅政策的通知) promulgated by the Ministry of Finance and the State Administration of Taxation on December 22, 2009 and amended on January 27, 2011 and March 30, 2015, (i) where an individual sells a house that he or she purchased less than two years ago, business tax shall be levied on the full amount of the sales proceeds, (ii) where an individual sells a non-ordinary house that he or she purchased more than two years (inclusive) ago, business tax shall be levied on the difference between the sales proceeds and the original purchase price of the house, and (iii) where an individual sells an ordinary house that he or she purchased more than two years (inclusive) ago, business tax shall be exempted.

On January 26, 2011, the State Council promulgated the Notice on Further Implementing Real Estate Market Control Measures (關於進一步做好房地產市場調控工作有關問題的通知), pursuant to which individuals who resell houses that they have owned for less than five years shall pay business tax on the full sale price, whether or not the houses were initially bought for self-occupied residential purposes.

On March 23, 2016, the MOF and SAT promulgated the Circular on Comprehensively Promoting the Pilot Program of Replacing Business Tax with Value Added Tax, which declared to include, but is not limited to, the real estate industry into the Pilot Program, and to cancel the business tax category and replace it with value-added tax. The value-added tax rate of selling real estate is 11%.

Pursuant to the Circular on Comprehensively Promoting the Pilot Program of Replacing Business Tax with Value Added Tax (財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知) which was promulgated by the Ministry of Finance and the SAT on March 23, 2016 and became effective on May 1, 2016, partially repealed on July 11, 2017 since May 1, 2016, the government will levy Valued Added Tax in lieu of business tax on a trial basis within the territory of the PRC, and any taxable activities of taxpayers shall be subject to a tax rate of 6% except for the taxpayer providing transportation, postal, telecom, construction, real estate leasing service, selling real estate, transferring land use right, leasing services of tangible personal property, and any cross-border taxable activity conducted by an entity or individual within the territory.

To provide services related to transportation, postal, telecom, construction, real estate leasing service, selling real estate and transferring land use right, the tax rate is 11%. To provide leasing services of tangible personal property, the tax rate is 17%. For any cross-border taxable activity conducted by an entity or individual within the territory, the tax rate is zero.

For the general taxpayers of real estate developers who sell the real estate projects (excluding the old real estate projects to which the simple tax calculation method is applicable) developed by them, the sales amount shall be the balance of the total price and other charges gained after the deduction of the land price paid to the government departments at the time of acceptance of the transferred land. Old real estate projects refer to the real estate projects with the commencement date indicated on the Construction Permit for Construction Engineering being before April 30, 2016. Where a real estate developer recognized as a general taxpayer sells old real estate projects developed by it, the simple tax calculation method may be adopted, with the tax calculated at a levy rate of 5%.

Pursuant to the Interim Measures on the Management of Value Added Tax of Self-developed Real Estate Project by the Sale of Real Estate Developers (房地產開發企業銷售自行開發的房地產項目增值稅徵收管理暫行辦法) issued on March 31, 2016 and implemented on May 1, 2016 by SAT, as amended on June 15, 2018, in the event that a real estate developer recognized as an ordinary taxpayer sells a self-developed real estate project, the general tax calculation method shall be adopted, and the obtained total consideration and other charges after the deduction of the corresponding land price of the real estate project sold for the current period shall be the sales amount.

***Land appreciation tax***

According to the requirements of the Provisional Regulations of The People's Republic of China on Land Appreciation Tax (中華人民共和國土地增值稅暫行條例) (the "Land Appreciation Tax Provisional Regulations") which were promulgated on December 13, 1993 came into effect on January 1, 1994 and amended on January 8, 2011, and the Detailed Implementation Rules on the Provisional Regulations of the People's Republic of China on Land Appreciation Tax (中華人民共和國土地增值稅暫行條例實施細則) (the "Land Appreciation Tax Detailed Implementation Rules") which were promulgated and came into effect on January 27, 1995, any capital-gain from a transfer of property shall be subject to land appreciation tax. Land appreciation tax shall be charged at four levels of progressive rates: 30% for the appreciation amount not exceeding 50% of the sum of deductible items; 40% for the appreciation amount exceeding 50% but not exceeding 100% of the sum of deductible items; 50% for the appreciation amount exceeding 100% but not exceeding 200% of the sum of deductible items; and 60% for the appreciation amount exceeding 200% of the sum of deductible items. Deductible items include the following:

- amount paid for obtaining the land use rights;
- costs and expenses for the development of the land;
- costs and expenses of new buildings and ancillary facilities, or estimated prices of old buildings and constructions;
- related tax payable for the transfer of property; and
- other deductible items as specified by the Ministry of Finance.

After the issuance of the Land Appreciation Tax Provisional Regulations and the Land Appreciation Tax Detailed Implementation Rules, due to the longer period for property development and transfer, many districts, while they were implementing the regulations and rules, did not require property development enterprises to declare and pay the land appreciation tax. Accordingly, the Ministry of Finance, the State Administration of Taxation, MOHURD and the MLR separately and jointly issued several notices to restate the following: after the land grant contracts are signed, the taxpayers should declare the tax to the local tax authorities where the property is located, and pay land appreciation tax in accordance with the amount as calculated by the tax authority. For those who fail to acquire proof of payment or exemption from land appreciation tax from the tax authorities, the property administration authority shall not process the relevant title change procedures, and shall not issue the property title certificate.

The State Administration of Taxation also issued the Notice on the Strict Handling of the Administration of the Collection of Land Appreciation Tax (關於認真做好土地增值稅徵收管理工作的通知) on July 10, 2002 to request local tax authorities to: modify the management system of land appreciation tax collection; build up a sound taxpaying declaration system for land appreciation tax; and modify the methods of pre-levying tax for the pre-sale of properties. The Notice also pointed out that for property development contracts which were signed before January 1, 1994 or where the project proposal has been approved and capital was injected for development, the policy for exemption from land appreciation tax exemption for properties that are transferred for the first time is no longer in effect and the tax shall be levied again. This requirement is restated in the Notice on Strengthening of Administration of the Collection of Land Appreciation Tax (國家稅務總局關於加強土地增值稅管理工作的通知) and the Notice on Further Strengthening the Administration of the Collection of Land Appreciation Tax and Land Use Tax in Cities and Towns (國家稅務總局關於進一步加強城鎮土地使用稅和土地增值稅徵收管理工作的通知) issued on August 2, 2004 and August 5, 2004, respectively, by the State Administration of Taxation. These two notices also required that system for the declaration of land appreciation tax and the registration of the sources of the land appreciation tax should be further improved.

The Notice on Several Points on Land Appreciation Tax (關於土地增值稅若干問題的通知) issued by the Ministry of Finance and the State Administration of Taxation on March 3, 2006 and amended on February 2, 2015 clarifies relevant issues regarding land appreciation tax as follows:

- *Standards for the transfer of ordinary standard residential houses.* Where any development project includes ordinary residential houses as well as other commercial houses, the amount of land appreciation shall be verified for both commercial and residential houses, respectively. No adjustment shall be retroactively made to any application for tax exemption for ordinary standard residential houses that were filed with the tax authority at the locality of the property prior to March 2, 2006, especially for ordinary standard residential houses which had been exempted from land appreciation tax as according to standards determined by the people's government of a province, autonomous region or municipality directly under the Central Government.

- *Standards for the collection and settlement of land appreciation tax.* (i) All regions shall decide the advance collection rate in a scientific and reasonable manner, and adjust it at a proper time according to the value of the property as well as the market development level within the region and on the basis of the specific housing categories, namely, ordinary standard residential houses, non-ordinary standard residential houses and commercial houses. After a project is completed, the relevant settlement shall be handled in a timely manner, with any overpayment refunded or any underpayment being made up. (ii) As to any tax that fails to be collected in advance within the advance collection term, overdue fines shall be collected as of the day following the expiration of the prescribed advance collection term according to the provisions of relevant tax collection and administration law. (iii) As to any property project that has been completed and has gone through the acceptance procedure, where the floor area of the property as transferred makes up 85% or more of the saleable floor area, the tax authority may require the relevant taxpayer to settle its land appreciation tax obligation for the transferred property according to the proportion between the income as generated from the transfer of property and the amount under the item of deduction. The specific method of settlement shall be prescribed by the local tax authority of a province, autonomous region or municipality directly under the Central Government, or a city under separate state planning.

On December 28, 2006, the State Administration of Taxation issued the Notice on the Administration of the Settlement of Land Appreciation Tax of Property Development Enterprises (國家稅務總局關於房地產開發企業土地增值稅清算管理有關問題的通知) (the "2007 LAT Notice") which came into effect on February 1, 2007 and has been amended on June 15, 2018.

Pursuant to the 2007 LAT Notice, a property development enterprise shall settle and clear the LAT payment of its development projects that meet certain criteria with the tax authorities in accordance with the applicable LAT rates. The LAT shall be settled for projects approved by the competent authorities; and for projects developed in different stages, the LAT shall be settled in stages. LAT must be settled if (a) the property development project has been completed and fully sold; (b) the property development enterprise transfers the whole uncompleted development project; or (c) the land use rights with respect to the project are transferred. In addition, the relevant tax authorities may require the property development enterprise to settle the LAT if any of the following criteria is met: (a) for completed property development projects, the transferred GFA represents more than 85% of total salable GFA, or the proportion represented is less than 85%, but the remaining salable GFA has been leased out or used by the property development enterprise; (b) the project has not been completed sold more than three years after obtaining the sale permit or pre-sale permit; (c) the property development enterprise applies for cancellation of the tax registration without having settled the relevant LAT; or (d) other conditions stipulated by the tax authorities.

The Notice also indicated that if any of the following circumstances applies to a property development enterprise, the tax authorities shall levy and collect LAT as per a levying rate no lower than the pre-payment rate with reference to the bearing rate of LAT of local enterprises with a similar

development scale and income level: (a) failure to maintain account books required by law or administrative regulation; (b) destroying account books without authorization or refusing to provide taxation information; (c) the accounts have not been properly maintained or cost materials, income vouchers and cost vouchers are damaged and incomplete, making it difficult to determine transferred income or the amount of deductible items; (d) failure to go through LAT settlement within the prescribed period, and such failure is not cured within the period required by the relevant tax authorities; (e) the basis for tax calculation as submitted is obviously low without justifiable cause. Local provincial tax authorities can formulate their own implementation rules according to the notice and the local situation.

On May 12, 2009, the State Administration of Taxation issued the Administrative Rules for the Settlement of Land Appreciation Tax (土地增值稅清算管理規程) (the "Settlement Rules"), which became effective on June 1, 2009. The Settlement Rules reiterated the circumstances under which the LAT must be settled, the criteria that are to be met for relevant tax authorities to require the settlement of LAT and the circumstances under which the tax authorities shall levy and collect LAT as prescribed by the Notice. The Settlement Rules further stipulate detailed procedures for the examination and verification of the settlement of LAT to be carried out by relevant tax authorities.

The Circular on Taxation Policy Adjustment Concerning Real Estate Trading (關於調整房地產交易環節稅收政策的通知) issued by the Ministry of Finance and the State Administration of Taxation on October 22, 2008 and partially repealed by the Ministry of Finance, the State Administration of Taxation and the Ministry of Housing and Urban-Rural Development on September 29, 2010 temporarily exempted the LAT for individuals selling houses starting from November 1, 2008.

On May 19, 2010, the State Administration of Taxation issued the Circular on Issuers Concerning Settlement of Land Appreciation Tax (國家稅務總局關於土地增值稅清算有關問題的通知) to strengthen the settlement of LAT. The circular clarifies certain issues with respect to calculation and settlement of the land appreciation tax, such as (i) the recognition of the revenue upon the settlement of LAT, and (ii) the deduction of fees incurred in connection with the property development.

On May 25, 2010, the State Administration of Taxation issued the Notice on Strengthening the Levy and Administration of Land Appreciation Tax (國家稅務總局關於加強土地增值稅徵管工作的通知), which requires that the minimum LAT prepayment rate shall be 2% for provinces in the eastern region, 1.5% for provinces in the central and northeastern regions, and 1% for provinces in the western region. According to the notice, the local tax bureaus shall determine the applicable LAT prepayment rates based on the types of the properties.

On June 20, 2013, the State Administration of Taxation issued the Notice on Further Improving the Collection of Land Value-added Taxes (國家稅務總局關於進一步做好土地增值稅徵管工作的通知), which seeks to improve the collection of land VAT, and in particular, further strengthen the administration on the settlement of land VAT.

***Urban land use tax***

Pursuant to the Provisional Regulations of the People's Republic of China Governing Land Use Tax in Urban Areas (中華人民共和國城鎮土地使用稅暫行條例) promulgated by the State Council on September 27, 1988, implemented on November 1, 1988, amended on December 31, 2006, January 8, 2011, December 7, 2013 and March 2, 2019, land use tax in respect of urban land is levied according to the area of relevant land. As of January 1, 2007, the annual tax on every square meter of urban land collected from foreign-invested enterprises shall be between RMB0.6 and RMB30.0.

***Real Estate tax***

According to the Circular of the Ministry of Finance and the State Administration of Taxation on Issues Concerning the Collection of Real Estate Tax on Foreign-funded Enterprises and Foreigners (關於對外資企業及外籍個人徵收房產稅有關問題的通知) promulgated by the Ministry of Finance on January

12, 2009, and the Circular Concerning the Implementation of the Levy of Real Estate Tax on Foreign-funded Enterprise and Foreigners (關於做好外資企業及外籍個人房產稅徵管工作的通知) issued by the State Administration of Taxation on January 6, 2009, from January 1, 2009, domestic and foreign-invested enterprises and foreign individuals will all be subject to the Interim Regulations of the People's Republic of China on Building Tax.

On January 28, 2011, the Chongqing Municipal government issued, and on January 13, 2017, amended, the Provisional Measures on Trial Reform of Imposing Real Estate Tax on Certain Residential Properties (重慶市關於開展對部分個人住房徵收房產稅改革試點的暫行辦法) and the Measures on the Collection and Management of Real Estate Tax on Residential Properties in the Municipality of Chongqing (重慶市個人住房房產稅徵收管理實施細則), which, among other things, impose an annual Real Estate tax, subject to certain exemptions, on (i) detached commodity residential properties, (ii) recently purchased high-end residential properties, and (iii) first or more residential properties purchased by certain individuals who have no job, business and household registration, at applicable rates ranging from 0.5% to 1.2% in certain areas of Chongqing.

***Stamp duty***

Under the Interim Regulations of the People's Republic of China on Stamp Duty (中華人民共和國印花稅暫行條例) promulgated by the State Council on August 6, 1988, implemented on October 1, 1988 and amended on January 8, 2011, for property transfer instruments, including those in respect of property ownership transfer, the stamp duty rate shall be 0.05% of the amount stated therein; for permits and certificates relating to rights, including property title certificates and land use rights certificates, stamp duty shall be levied on an item basis of RMB5 per item.

The Circular on Taxation Policy Adjustment Concerning Real Estate Trading (關於調整房地產交易環節稅收政策的通知) issued by the Ministry of Finance and the State Administration of Taxation on October 2008 and partially repealed by the Ministry of Finance, the State Administration of Taxation and the Ministry of Housing and Urban-Rural Development on September 29, 2010 temporarily exempted stamp duty for individuals selling or buying houses starting from November 1, 2008.

***Municipal maintenance tax***

Under the Interim Regulations of the People's Republic of China on Municipal Maintenance Tax (中華人民共和國城市維護建設稅暫行條例) promulgated by the State Council on February 8, 1985 and amended on January 8, 2011, any taxpayer, whether an individual or otherwise, of consumption tax, value-added tax or business tax shall be required to pay municipal maintenance tax. The tax rate shall be 7% for a taxpayer whose domicile is in an urban area, 5% for a taxpayer whose domicile is in a county or a town, and 1% for a taxpayer whose domicile is not in any urban area or county or town.

However, according to the Notice on Unifying the Municipal Maintenance Tax and Education Surcharge System of Domestic Enterprises, Foreign-Invested Enterprises and Individuals (國務院關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知) as issued by the State Council on October 18, 2010, the municipal maintenance tax will become applicable to foreign-invested enterprises as of December 1, 2010.

***Education surcharge***

Under the Interim Provisions on the Imposition of the Education Surcharge (徵收教育費附加的暫行規定) promulgated by the State Council on April 28, 1986 and as amended on June 7, 1990 and August 20, 2005 and January 8, 2011, a taxpayer, whether an individual or otherwise, of consumption tax, value-added tax or business tax shall pay an education surcharge, unless such taxpayer is instead required to pay a rural area education surcharge as provided by the Notice of the State Council on Raising Funds for Schools in Rural Areas (國務院關於籌措農村學校辦學經費的通知). Under the Supplementary Notice Concerning Imposition of Education Surcharge (國務院關於教育費附加徵收問題的補充通知) issued by the State Council on October 12, 1994, the education surcharge shall not be applicable to enterprises with foreign investment until further notice is issued by the State Council.

However, according to the Notice on Unifying the Municipal Maintenance Tax and Education Surcharge System of Domestic Enterprises, Foreign-Invested Enterprises and Individuals (關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知) as issued by the State Council on October 18, 2010, the municipal maintenance tax will become applicable to foreign-invested enterprises as of December 1, 2010.

**Major Taxes Applicable to Property Buyers and Owners**

***Deed tax***

Pursuant to the Interim Regulations of the People's Republic of China on Deed Tax (中華人民共和國契稅暫行條例) promulgated by the State Council on July 7, 1997 and implemented on October 1, 1997 and was amended on March 2, 2019, the transferee, whether an individual or otherwise, of the title to a land site or building in the PRC shall be subject to the payment of deed tax. The rate of deed tax is 3% to 5%. The governments of provinces, autonomous regions and municipalities directly under the central government may, within the aforesaid range, determine their effective tax rates.

On October 22, 2008, the Ministry of Finance and the State Administration of Taxation issued the Circular on Taxation Policy Adjustment Concerning Real Estate Trading (關於調整房地產交易環節稅收政策的通知) which announced that in the case of purchase of ordinary housing of 90 sq.m and below by an individual, where the housing is the only residential property which belongs to the family, deed tax shall be levied at 1% tax rate.

On September 29, 2010, the Ministry of Finance, the State Administration of Taxation, and the Ministry of Housing and Urban-rural Development promulgated the Notice on Adjusting Preferential Policies for Deed Tax and Individual Income Tax for the Real Estate Transaction Process (關於調整房地產交易環節契稅個人所得稅優惠政策的通知), which provides that for any family residential property purchased as the sole residence for the purchaser and his or her family members (including his or her spouse and minor dependents), the rate of deed tax is reduced to 50% of the statutory rate if the GFA of the residential property is at or above 90 sq.m. and to 1% if the GFA of the residential property is below 90 sq.m..

**Measures on Stabilizing Housing Price**

The General Office of the State Council promulgated the Circular on Duly Stabilizing the Prices of Residential Properties (關於切實穩定住房價格的通知) on March 26, 2005, requiring measures to be taken to restrain housing prices from increasing too fast and to promote the healthy development of the property market. On May 9, 2005, the General Office of the State Council issued the Opinion of the Ministry of Construction and other Departments on Stabilizing the Prices of Residential Properties (國務院辦公廳轉發建設部等部門關於做好穩定住房價格工作意見的通知), which provides that:

- *Intensifying planning and control and improving the housing supply structure.* Where there is excessive growth in housing prices and insufficient supply of medium to low priced commodity houses and affordable residential housing, housing construction should mainly involve projects for the development of medium to low priced commodity houses and affordable residential houses. The construction of low-density, high-quality houses shall be strictly controlled. With respect to projects for the construction of medium-or-low-price commodity houses, prior to the assignment of land, the municipal planning authority shall, according to control planning, set forth conditions for the plan and design of such elements as height of buildings, plot ratio and green space. The property authority shall, in collaboration with other relevant authorities, set forth requirements such as sale price, type and area. Such conditions and requirements will be set up as preconditions to the assignment of land to ensure an adequate supply of small or medium-sized houses at moderate and low prices. The local government must intensify the supervision of planning permits for property development projects. Housing projects that have not been commenced within two years must be re-examined, and those that turn out to be noncompliant will have their planning permits revoked.

- *Intensifying control over the supply of land and rigorously enforcing the administration of land.* Where there is rapid excessive growth in the price of land for residential use, the proportion of land for residential use to the total land supply should be raised, and the land supply for the construction of regular commodity housing at medium or low prices and affordable residential housing should be increased. Land supply for villa construction shall be continuously suspended, and land supply for high-end housing property construction shall be restricted.

On May 24, 2006, the General Office of the State Council issued the Opinion of the Ministry of Construction and other Departments on Adjusting Housing Supply Structure and Stabilization of Housing Prices (關於調整住房供應結構穩定住房價格的意見). As to the adjustment of housing supply and stabilization of housing prices, the opinion provides that:

- *Adjustment to the housing supply structure.* (i) The construction of medium and small-sized regular commodity houses at medium or low prices should be especially developed to satisfy the demands of local residents. (ii) From June 1, 2006, for each and every commodity building newly examined and approved for the commencement of construction, the proportion of the area of housing (including economically affordable housing) with a unit floor area less than 90 sq.m. must reach 70% of the total development and construction area. In case of adjustment of the above-mentioned proportion, if required in special cases, the municipalities directly under the central government, separately planned cities and provincial capital cities must submit the special request for adjusting proportion to MOHURD for approval. The projects that have been examined and approved but have not received a construction works commencement permit shall where necessary adjust the set style of housing according to the above-mentioned requirements.

- *Adjustment to tax, credit and land policies.* (i) Commencing June 1, 2006, business tax applicable to the transfer of a residential property by an individual within five years from the date of purchase will be levied on the basis of the full amount of the sale proceeds. For an individual transferring an ordinary residential property five years or more from the date of purchase, business tax will be exempted. For an individual transferring a house other than an ordinary residential house for five years or more from purchasing, the business tax will be levied on the basis of the balance between the income from selling the house and the purchase price. (ii) In order to restrain property development enterprises from purchasing land and buildings with bank credits, any developer applying for loans shall have at least 35% of capital required for the project development. Commercial banks should restrict the grant or extension of revolving credit facilities in any form to property development enterprises with a large amount of idle land and/or vacant commodity buildings. Commodity buildings which are vacant for more than 3 years should not be accepted as a guarantee by the commercial banks. (iii) From June 1, 2006, the first installment of individual house loans should be no less than 30%. When a borrower applies for individual house loans for his own use and the floor area of the unit is less than 90 sq.m., the first installment remains at 20%. (iv) At least 70% of the land supply for residential property developments must be used for low-to-medium-cost and small to medium-size units and low-cost rental properties. On the basis of the restriction of price and housing style, the land supply shall adopt the method of competitive bidding of land price and housing price to determine the property development enterprise. Land supply for villa construction shall continue to be suspended, and land supply for low-density and large-area housing property construction shall be strictly prohibited. (v) When construction has not yet started one year after the construction commencement date agreed in the land use rights assignment contract has elapsed, charges for idle land should be collected at a higher level; when the construction has not started two years after the construction commencement date agreed in the land use rights assignment contract have elapsed, the right to use land can be taken back without compensation. The land will be regarded as idle land if: the development and construction of the land has started on time, but the developed area is less than one third of the total area to be developed and constructed, or the invested amount is less than 25% of the total amount of investment, and the development and construction has been continuously suspended for no less than one year without approval.

- *Further rectifying and regulating the property market.* (i) Any project with a construction land planning permit which has not started construction should be re-evaluated. If the project is not in accordance with the controlling requirements of the plan, especially the requirements of the set style structure, the construction works planning permit, the construction works commencement permit and the pre-sale permit should not be issued. Projects which have been altered or the construction of which have exceeded the provisions shall be disposed of or confiscated according to law. (ii) The property administration authority and the administration of industry and commerce should investigate any illegal conduct such as contract fraud. Illegal conduct involving commodity building pre-completion sales without the necessary conditions should be ordered to stop and punished. With respect to the property enterprises that store up housing and maliciously manipulate and raise housing prices, the competent authorities shall enforce monetary punishment according to laws and regulations, and the responsible persons concerned may have their business licenses revoked and/or shall be investigated and prosecuted.

To implement the Opinions on Adjusting the Housing Supply Structure and Stabilizing Housing Prices, MOHURD promulgated Certain Opinions Regarding the Implementation of the Ratio Requirement for the Structure of Newly Constructed Residential Units (關於落實新建住房結構比例要求的若干意見) on July 6, 2006 and made supplemental requirements on the proportion of newly built housing structure as follows:

- From June 1, 2006, in any city (including counties), housing with a floor area of less than 90 sq.m. should reach 70% of the total floor area of commercial commodity buildings newly approved or constructed.

- The governments should guarantee the conditions of planning and design of newly-built commodity buildings meet the requirements of structure and proportion. Any digression from the above-mentioned requirements without authorization is forbidden and a construction works planning permit should not be issued by municipal planning and authorities. If there is any noncompliance with the planning permit, a construction works commencement permit should not be issued by the construction authority and a permit for pre-sale of commodity buildings should not be issued by property development authority.

According to Several Opinions of the General Office of the State Council on Providing Financial Support for Economic Development (國務院辦公廳關於當前金融促進經濟發展的若干意見), issued by General Office of the State Council on December 8, 2008, the State Council (a) implemented and promulgated relevant credit policies and measures to support people's purchase of their first ordinary home or improved ordinary home; (b) provided more credit support for the construction of low rent houses and affordable residential houses and the reconstruction of shed areas for low-income urban residents; and (c) initiated the pilot operation of real estate trust investment funds to diversify the financing channels of real estate enterprises.

In January 2010, the General Office of the State Council issued a Circular on Facilitating the Stable and Healthy Development of the Property Market (關於促進房地產市場平穩健康發展的通知), which adopted a series of measures to strengthen and improve the regulation of the property market, stabilize market expectation and facilitate the stable and healthy development of the property market. These include, among others, measures to increase the supply of affordable housing and ordinary commodity housing, provide reasonable guidance for the purchase of property, restrain speculative investment in property, and strengthen risk prevention and market supervision. Additionally, the Circular explicitly requires a family (including a borrower, his or her spouse and children under 18) who have already entered into a mortgage for the purchase of a house to pay a minimum down payment of 40% of the purchase price of a second or any additional house which they apply to purchase.

On April 17, 2010, the State Council issued the Notice on Firmly Preventing Property Price from Increasing Too Rapidly in Certain Cities (關於堅決遏制部分城市房價過快上漲的通知), pursuant to which the State Council raised the minimum down payment for second home purchases to 50% and set a minimum 30% down payment on first homes with a GFA of more than 90 sq.m. Further, the notice stipulates that interest rates for mortgage loans for the second property cannot be lower than 110% of the PBOC benchmark lending rate and interest rates for mortgage loans and minimum first installments for third or subsequent homes shall be increased substantially. To strengthen property market regulation and enhance the implementation of these existing policies, on September 29, 2010, the PBOC and CBRC jointly issued the Notice on Relevant Issues Regarding the Improvement of Differential Mortgage Loan Policies (關於完善差別化住房信貸政策有關問題的通知), according to which the minimum down payment has been raised to 30% for all first home purchases, and commercial banks throughout China are required to suspend mortgage loans for purchases of a customer's third parcel of residential property and beyond. On September 29, 2010, the Ministry of Finance, State Administration of Taxation and MOHURD jointly issued the Notice to Adjust the Preferential Policies on Deed Tax and Individual Income Tax Regarding Real Estate Transaction (關於調整房地產交易環節契稅個人所得稅優惠政策的通知), according to which, as of October 1, 2010, the deed tax for individuals who purchased ordinary residential property with floor area under 90 sq.m. as his sole family residence, will be reduced to 1 percent, and those who sell their homes and buy new ones within one year would not be eligible for reductions or exemptions on individual income tax on the profits from the sales.

On January 26, 2011, the State Council issued the "Notice on Further Strengthening Regulation and Control of Real Property Markets" (關於進一步做好房地產市場調控工作有關問題的通知), under which the transfer of all residential properties purchased and held by individuals for less than five years shall be subject to business tax based on total sale price from such transfer.

On March 30, 2015, the Ministry of Finance and the State Administration of Taxation jointly issued a new "Notice on Adjusting the Policy of Business Tax on Re-sale of Personal Residential Properties" (關於調整個人住房轉讓營業稅政策的通知), under which business tax is imposed on (i) the full amount of the transfer price upon the transfer of any residential property by an individual owner within two years from such individual owner's purchase and (ii) the difference between the transfer price and the original purchase price upon the transfer of any non-ordinary residential property by an individual owner more than two years from such individual owner's purchase. Business tax is exempted for ordinary residential properties if the transfer occurs after two years from the individual owner's purchase. This notice became effective on March 31, 2011.

On February 15, 2011, the Beijing Municipal Government promulgated the Notice on Further Strengthening Control over Beijing Property Market (北京市人民政府辦公廳關於貫徹落實國務院辦公廳文件精神進一步加強本市房地產市場調控工作的通知), which among other things, provides that (i) a local family that owns one house in Beijing (including a family that holds an effective Beijing Certificate for Work and Residence) and (ii) a non-local family with an effective Certificate for Temporary Residence that does not own a house in Beijing and has paid social insurance or individual income tax for five consecutive years, are permitted to purchase one additional house in Beijing (including newly-built and second-hand houses).

Furthermore, (i) a local family that owns two or more houses in Beijing, and (ii) a non-local family that owns one house or more in Beijing, or fails to provide both an effective Certificate for Temporary Residence and evidence of payment of social insurance or individual income tax for consecutive five years, is suspended from purchasing a new house in Beijing. In addition to Beijing, other cities, including Tianjin, Shanghai, Suzhou, Nanjing, Qingdao, Chengdu, Foshan and Harbin, have also announced their new purchase limit policies which are almost the same as the requirements in the Notice Concerning Further Strengthening the Macroeconomic Control of Real Property Market.

## Directors and Senior Management

The table below sets forth information regarding our directors and senior management as of the date of this offering memorandum. Unless otherwise indicated, the positions or titles indicated in the table below refer to our Company.

| Name | Age | Position/Title |
|---|---|---|
| SUN Hongbin | 57 | Chairman and executive director |
| WANG Mengde | 49 | Executive director and chief executive officer of the Group |
| JING Hong | 58 | Executive director, executive president of the Group and the president of the Beijing regional branch of the Group |
| CHI Xun | 47 | Executive director, executive president of the Group and the president of the north China regional branch of the Group |
| TIAN Qiang | 43 | Executive director, executive president of the Group and the president of the Shanghai regional branch of the Group |
| SHANG Yu | 41 | Executive director, executive president of the Group and the president of the southwest regional branch of the Group |
| HUANG Shuping | 39 | Executive director, executive president of the Group and the president of the south China regional branch of the Group |
| SUN Kevin Zheyi | 30 | Executive director, vice president of the Group and the president of the Sunac Culture Group |
| POON Chiu Kwok | 57 | Independent non-executive director |
| ZHU Jia | 57 | Independent non-executive director |
| MA Lishan | 68 | Independent non-executive director |
| YUAN Zhigang | 62 | Independent non-executive director |
| WANG Peng | 39 | Executive president and the president of the southeast regional branch of the Group |
| MA Zhixia | 47 | Executive president and chief operation officer of the Group |
| CAO Hongling | 45 | Executive president of the Group and the president of the Sunac Service Group |
| XUE Wen | 48 | Executive president of the Group |
| LU Peng | 44 | Executive president of the Group and the president of the Sunac Culture and Tourism Group |
| WANG Yingjia | 49 | Executive president of the Group and the president of the central China regional branch |
| SHI Yu | 43 | Senior vice president of the Group |
| GAO Xi | 39 | Chief financial officer, vice president of the Group and company secretary |

### *Directors*

Our board of directors currently consists of 12 directors, including eight executive directors and four independent non-executive directors within the requirements of the Hong Kong Listing Rules. Each of our executive directors has been appointed for an initial term of three years. Each of our independent non-executive directors has been appointed for an initial term of two years. Each of our directors is subject to retirement at least once every three years at our annual general meeting.

Mr. SUN Hongbin ("Mr. Sun") is our founder, the chairman of the board of directors and an executive director of the Company. Mr. Sun started his real estate business in 1994 and has accumulated over 20 years of ample experience in the real estate industry in the PRC. Mr. Sun obtained a master's degree in engineering from Tsinghua University in the PRC in 1985 and completed an advanced management program at Harvard Business School in the United States in 2000. Mr. Sun is the father of Mr. Sun Kevin Zheyi, an executive director of the Company, vice president of the Group and the president of the Sunac Culture Group.

Prior to founding our Company, Mr. Sun established Sunco (China) Real Estate Network Group in 1995 (順馳(中國)不動產網路集團有限公司), which is a large chain property agency company in China, and is its chief executive officer. From 1995 to 2004, Mr. Sun established and was a non-executive director of another group of property development business in China operated under Sunco China. Sunco China was restructured in 2006 in view of the capital needs of its business and disposed of a substantial part of its assets between 2006 and 2007. Mr. Sun currently retains only a 5.26% indirect interest in a company that holds certain assets previously controlled by Sunco China. In connection with the disposal of a company by Sunco China and another company controlled by Mr. Sun, between 2007 and 2010, Mr. Sun was involved in certain legal proceedings in Hong Kong and has finally resolved the disputes through mediation. In addition, in connection with Mr. Sun's employment as a manager at the corporate department of Beijing Legend Computer Group Co., Ltd., currently known as Legend Holdings Limited, from 1987 to 1990, Mr. Sun was convicted in the PRC court in 1992 of misappropriation of funds in the amount of RMB130,000 but such conviction was subsequently held by the retrial court to be erroneous and was overturned in 2003. For more information on Mr. Sun's experience with Sunco China and his previous proceedings and current disputes, see "Risk Factors — Risks Relating to Our Business — Sun Hongbin, our controlling shareholder, is able to exercise substantial influence over our corporate policies and direct the outcome of corporate actions; we may be adversely affected by legal proceedings involving Mr. Sun."

Mr. WANG Mengde ("Mr. Wang") is an executive director and the chief executive officer of the Group. Mr. Wang has about 20 years of experience in the real estate industry in China. He joined the Group in 2006 and acted as the chief financial officer and the vice president of the Group. He has been the executive president and chief executive officer of the Group since 2011 and September 2015, respectively. Prior to joining the Group, Mr. Wang was the chief operating officer and chief financial officer of Sunco China Holdings Limited ("Sunco China"), a company engaged in the business of property development in the PRC from 2005 to 2006, and the general manager of a subsidiary of Sunco China in East China region from 2003 to 2005. Mr. Wang graduated from Nankai University in the PRC with a bachelor's degree in auditing in 1997.

Mr. JING Hong ("Mr. Jing") is an executive director and the executive president of the Group and the president of the Beijing regional branch of the Group. Mr. Jing has extensive experience in real estate development. He joined the Group in January 2007. Since then, he has been the general manager of Beijing Sunac Hengji Real Estate Co., Ltd. ("Sunac Hengji") and is responsible for overall business operations. Prior to joining the Group, from October 2002 to 2006, Mr. Jing served as a vice president of Sunco China. Mr. Jing graduated from the Beijing Jiaotong University (previously known as Northern Jiaotong University) in the PRC in 1984 with a bachelor's degree in engineering.

Mr. CHI Xun ("Mr. Chi") is an executive director and the executive president of the Group and the president of the north China regional branch of the Group, with over 20 years of experience in real estate development in the PRC. He joined the Group in 2004 and held the position of deputy general manager of Tianjin Sunac Zhidi Co., Ltd. ("Sunac Zhidi") from 2004 to 2005. Since 2005, he has been the general manager of Sunac Zhidi. Prior to joining the Group, Mr. Chi worked at various property companies where he was primarily responsible for project development, design and sales. Mr. Chi graduated from Harbin Institute of Technology in the PRC in 1997 with a bachelor's degree in architecture.

Mr. TIAN Qiang ("Mr. Tian") is an executive director and the executive president of the Group and the president for the Shanghai regional branch of the Group. Mr. Tian joined the Group in 2007 and acted as a deputy general manager of Tianjin Xiangchi Investment Co., Ltd. In 2007, he acted as the general manager of Wuxi Sunac Real Estate Co. Ltd. He has been the general manager for the Shanghai region since 2012 and has been an executive president of the Group since 2015. Prior to joining the Group, Mr. Tian was a sales manager, deputy general sales manager and general manager between 2002 and 2007 at Sunco China, a company engaged in the business of property development in the PRC. Mr. Tian graduated from Tianjin Chengjian University (天津城建大學) (formerly known as Tianjin Urban Construction Institute (天津城市建設學院)) in 1999 with a bachelor's degree in engineering specializing in construction project management.

Mr. SHANG Yu ("Mr. Shang") is an executive director and the executive president of the Group and the president of the southwest China regional branch of the Group. Mr. Shang has over 10 years of experience in the real estate industry in China. He joined the Group in 2003 and was the deputy general manager of Tianjin Sunac Ao Cheng Investment Co., Ltd. and Chongqing Olympic Garden Real Estate Co. Ltd. (Chongqing Olympic Garden Real Estate) from 2003 to 2004. Since 2006 till now, he has become the general manager of Chongqing Olympic Garden Real Estate. Mr. Shang graduated from Tianjin Chengjian University (天津城建大學) (formerly known as Tianjin Urban Construction Institute (天津城市建設學院)) in the PRC with a bachelor's degree in property development and management in 2001 and then obtained a master's degree in business administration from the China Europe International Business School in 2008.

Mr. HUANG Shuping ("Mr. Huang") is an executive director and the executive president of the Group and the president of the south China regional branch of the Group. He joined the Group in 2007 and acted successively as a supervisor and the general manager of the capital operations centre, the deputy general manager of the finance management department and the assistant to the chief executive officer. He served as the vice president of the Group from 2011 to 2015 and as the chief financial officer and joint company secretary of the Group from 2012 to 2015. He has been an executive president of the Group since 2015. Prior to joining the Group, Mr. Huang was an assistant to the president of Sunco China with responsibilities in capital management from 2005 to 2007. Mr. Huang graduated from Xiamen University with a bachelor's degree in economics in 2003 and received a master's degree in finance from the University of Liverpool in 2004.

Mr. SUN Kevin Zheyi ("Mr. Sun") is an executive director, vice president of the Group and the president of the Sunac Culture Group. Mr. Sun joined the Group in 2014 and served various roles relating to capital market, land acquisition and project operation in the Group's headquarters and different regional branches. Prior to joining the Group, Mr. Sun has worked in Snow Lake Capital L.P. (雪湖資本有限合夥) and Charm Communications Inc. (昌榮傳播股份有限公司). Mr. Sun graduated from Boston College in 2011 with a dual bachelor's degree in business management and history. Mr. Sun Kevin Zheyi is the son of Mr. Sun Hongbin, the founder, the chairman of the board of directors and an executive director of the Company.

Mr. POON Chiu Kwok ("Mr. Poon") is an independent non-executive director of the Company. Mr. Poon possesses many years of accounting and relevant financial management experience. Mr. Poon has years of experience in listed companies finance, governance and management. He now serves as an executive director, vice president and company secretary of Huabao International Holdings Limited (stock code: 336), an independent non-executive director of Yuanda China Holdings Limited (stock code: 2789), Changan Minsheng APLL Logistics Co., Ltd. (stock code: 1292), Tonly Electronics Holdings Limited (stock code: 1249), AUX International Holdings Limited (stock code: 2080), TUS International Limited (stock code: 872), Sany Heavy Equipment International Holdings Company Limited (stock code: 631), Greentown Service Group Co. Ltd. (stock code: 2869), Jinchuan Group International Resources Co. Ltd (stock code: 2362), Honghua Group Limited (stock code: 196) and Yanzhou Coal Mining Company Limited (stock code: 1171), respectively, the shares of which are listed on the Hong Kong Stock Exchange. Mr. Poon is a fellow member of CPA Australia Ltd., the Chartered Governance Institute (formally known as the Institute of Chartered Secretaries and Administrators) in London, United Kingdom, The Hong Kong Institute of Chartered Secretaries and a member of its Technical Consultation Panel, Mainland China Focus Group and Audit Committee. He is a fellow member and associate instructor of Hong Kong Securities and Investment Institute. He obtained a master's degree in international accounting, a post-graduate diploma in laws, a bachelor's degree in laws and a bachelor's degree in business studies. Mr. Poon has been an independent non-executive Director since June 2011.

Mr. ZHU Jia ("Mr. Zhu") has been a non-executive director of the Company since September 30, 2009 until his re-designation as an independent non-executive director with effect from November 24, 2016. Mr. Zhu holds a Juris Doctorate degree from Cornell Law School in the United States and is currently a managing director of Bain Capital Asia, LLC. Mr. Zhu has solid and extensive experience in a broad range of cross border mergers and acquisitions as well as international financing transactions involving PRC companies. Before joining Bain Capital, LLC in 2006, Mr. Zhu was the chief executive officer of the PRC business of Morgan Stanley Asia Limited. Mr. Zhu is currently a non-executive director of each of Clear Media Limited (stock code: 100) and an independent non-executive director of Greatview Aseptic Packaging Company Limited (stock code: 468), the shares of which are listed on the Main Board of the Hong Kong Stock Exchange. Mr. Zhu is also a director of Rise Education Cayman Ltd listed on Nasdaq. He also served as a non-executive director of SinoMedia Holding Limited (stock code: 623) from November 2006 to May 2013 and GOME Retail Holdings Limited (formerly known as GOME Electrical Appliances Holding Limited) (stock code: 493) from August 2009 to January 2015. The shares of both SinoMedia and Gome are listed on the Hong Kong Stock Exchange.

Mr. MA Lishan ("Mr. Ma") is an independent non-executive director of the Company. Mr. Ma graduated from Beijing Foreign Studies University in the PRC in 1975. Mr. Ma has extensive experience in corporate operation and management of modern large enterprises and listed companies. Mr. Ma has served various positions such as chairman, executive director and general manager in certain large-scale joint ventures under COFCO (Group) Limited (中國糧油食品(集團)有限公司). From January 1996, Mr. Ma served as executive director of China Foods Holdings Limited (中國食品集團有限公司) (stock code: 506). From May 1997 to June 2003, Mr. Ma served as executive director and general manager of China Foods Limited. In 2000, Mr. Ma served as the vice president of COFCO (Group) Limited. Mr. Ma was the deputy chairman of Top Glory International Holdings Limited (鵬利國際集團有限公司) (controlling shareholder of COFCO PROPERTY (GROUP) CO., LTD. from June 2003 to July 2005. Mr. Ma was executive director of Sino Resources Limited from June 7, 2008 to January 16, 2009, whose shares are listed on the Main Board of Stock Exchange (stock code: 223). From September 2010 to August 2012, he was also the executive director, managing director and chairman of Hao Tian Resources Group Limited (now renamed Hao Tian Development Group Limited), whose shares are listed on the Main Board of the Stock Exchange (stock code: 474). From May 2008 to present, he is an independent non-executive director of Silver Base Group Holdings Limited whose shares are listed on the Main Board of the Stock Exchange (stock code: 886). From March 2016 to present, Mr. Ma is an independent non-executive director of SRE Group Limited whose shares are listed on the Main Board of the Stock Exchange (stock code: 1207). From June 2016 to present, Mr. Ma is an independent non-executive director of China Minsheng Drawin Technology Group Limited whose shares are listed on the Main Board of the Stock Exchange (stock code: 726). From June 2016 to present, Mr. Ma is an independent non-executive director of DIT Group Limited (築友智造科技集團有限公司) (formerly known as China Minsheng DIT Group Limited (中民築友科技集團有限公司)) whose shares are listed on the Main Board of the Stock Exchange (stock code: 726). From August 2016 to present, Mr. Ma is an independent non-executive director of Huarong International Financial Holdings Limited, whose shares are listed on the Main Board of the Stock Exchange (stock code: 993). Mr. Ma has been an independent non-executive director of the Company since August 2009.

Mr. YUAN Zhigang ("Mr. Yuan"), aged 62, graduated from École des Hautes Études en Sciences Sociales (EHESS) in France in 1993 with a Doctorate degree in Economics. Mr. Yuan currently works as a professor at School of Economics of Fudan University, and is a specially engaged professor of "Changjiang Scholars" launched by the Ministry of Education. He has been long serving as an expert member of the decision-making advisory committees of Shanghai, Fujian, Guangxi and some other local governments. Mr. Yuan has in-depth study and a significant influence over hotspot macroeconomic research on issues covering macroeconomic operation, financial system reform, internationalization of Renminbi and real estate of China. Mr. Yuan currently serves as an independent director in JIC Trust Co., Ltd., an independent director in Shanghai Pudong Development Bank Co., Ltd., whose shares are listed on the main board of the Shanghai Stock Exchange (stock code: 600000), and an external supervisor in Bank of Shanghai Co., Ltd. ("Bank of Shanghai"), whose shares are listed on the main board of the Shanghai Stock Exchange (stock code: 601229). From 2004 to 2015, he served as the Dean of School of Economics of Fudan University; from May 2010 to April 2017, he served as an independent director in Bank of Shanghai; from April 2011 to April 2017, he served as an independent director in Ningbo Fuda

Co., Ltd., whose shares are listed on the main board of the Shanghai Stock Exchange (stock code: 600724), and from January 2012 to October 2018, he served as an independent non-executive director in Bank of Communications Schroder Fund Management Co., Ltd. Mr. Yuan has entered into a service contract with the Company with effective from October 22, 2020 for an initial term of two years, which may be automatically renewed for successive terms of two years each upon expiration of the current term, and may be terminated by not less than three months of written notice served by either the Company or Mr. Yuan on the other party at any time during the appointment. Mr. Yuan is entitled to a director's fee of HK$400,000 per year, which is recommended by the remuneration committee of the Company and determined by the Board with reference to his experience, responsibilities and the prevailing market conditions.

**Senior Management**

Mr. WANG Peng ("Mr. Wang") is the executive president of the Group and the president of the southeast regional branch of the Group. Mr. Wang joined the Group in 2004 and served as the legal manager of the Group from 2004 to 2008 and as the general manager of each of Tianjin Sunac Business Management Company (天津融創商業管理公司) and Tianjin Sunac Property Management Co., Ltd. (天津融創物業管理有限公司) from 2009 to 2011. He also acted as the project general manager of Tianjin Sunac Zhidi Co., Ltd. in 2012. He has been the general manager of the Hangzhou Company of the Group since 2013. He was the vice president of the Group from 2015 to 2016, and has been the executive president of the Group since 2016. Mr. Wang graduated from Tianjin Polytechnic University in 2003 with a bachelor's degree in law.

Ms. MA Zhixia ("Ms. Ma") is the executive president and the chief operation officer of the Group and is responsible for the overall management of the business operations of the Group. Ms. Ma joined the Group in 2003 and acted as the general manager of Tianjin Sunac Zhidi Co., Ltd. from 2003 to 2005 and as the vice president of the Group from 2005 to 2015. She has been the executive president and the chief operation officer of the Group since 2015. Prior to joining the Group, Ms. Ma joined Sunco China in 1998, and acted as the deputy general manager of Tianjin Sunco Construction Company Limited (天津順馳建設有限公司), a subsidiary of Sunco China, from 2000 to 2003. Ms. Ma graduated from Nankai University in the PRC with a bachelor's degree in economics in 1995.

Ms. CAO Hongling ("Ms. Cao") is the executive president of the Group and the president of the Sunac Service Group. Ms. Cao possesses more than 20 years of experience in financial management. Since joining the Group in 2007, she has served various positions such as manager and subsequently as general manager of the Group's financial management center and as the chief financial officer of the Group from 2015 to 2019. Prior to joining the Group, Ms. Cao was a manager of the accounting department of Sunco Real Estate, a subsidiary of Sunco China since 2002 and was appointed as the manager of the financial management department of Sunco China in 2006. Ms. Cao graduated from the Tianjin University of Finance and Economics in 1998 with a bachelor's degree in accounting. Ms. Cao is a member of The Chinese Institute of Certified Public Accountants.

Ms. XUE Wen ("Ms. Xue") is the executive president of the Group and primarily responsible for human resources, administration and legal affairs. Ms. Xue joined the Group in 2004 and has been the general manager of the legal affairs department, the human resources department and the administration and management department of the Company. Prior to joining the Company, Ms. Xue served successively as a practicing lawyer at China Hualian Law Firm (中國華聯律師事務所) and Ruining Law Firm (瑞寧律師事務所). Ms. Xue graduated from China University of Political Science and Law in 1996 with a bachelor's degree in international economic law. Ms. Xue is a member of All China Lawyers Association.

Mr. LU Peng ("Mr. Lu") is the executive president of the Group and the president of the Sunac Culture and Tourism Group, fully responsible for its management. Mr. Lu joined the Company in 2003 and served successively as the deputy general manager of Sunac Zhidi with responsibilities in research and development, the general manager of Chongqing Olympic Garden Real Estate, the general manager of APEV Project (重慶亞太商谷項目), the general manager of Horizon Capital Project in Tianjin (天津海河大觀項目) and the general manager of TEDA Project in Tianjin (天津泰達項目). Mr. Lu graduated from the School of Materials of Tianjin University in 1999, majoring in welding technology and equipment.

Mr. WANG Yingjia ("Mr. Wang") is the executive president of the Group and the president of the central China regional branch of the Group. Mr. Wang joined the Group since 2004. Since 2012, he has served as a director and general manager of the development department of the Group. He has been the president of central China regional branch since 2015. He has served as vice president and executive president of the Group since 2016. Mr. Wang has accumulated years of experience in real estate development and civil engineering management. Mr. Wang graduated from Nankai University in 2004 with a master's degree in management.

Mr. SHI Yu ("Mr. Shi") is the senior vice president of the Group and mainly responsible for the Group's product development and research, quality management and customer relationship management. Mr. Shi joined the Company in 2016. Prior to joining the Group, Mr. Shi worked in the Vanke Group for more than 13 years, with extensive experience in project design and construction management. Mr. Yu graduated from Tianjin University in 2003 with a master's degree in power system and automation.

Mr. GAO Xi ("Mr. Gao") is the chief financial officer, vice president of the Group and company secretary. Since joining the Group in 2007, he has held different positions in various departments of the Group, including the capital operations centre, financial management department and financing management department. Since 2011, he has acted successively as the manager, director and general manager of the investor relations department of the capital management department of the Group, as the company secretary of the Company in 2015 and the chief financial officer of the Group in 2019. Mr. Gao participated in the preparation work in relation to the Company's initial public offering, and upon the listing of the shares of the Company on the Stock Exchange in 2010, he contributed to establish the capital management department, where he is mainly responsible for investor relations, listing compliance, corporate governance and offshore financing related matters. Mr. Gao graduated from Shanxi University of Finance & Economics in 2008 with a master's degree in quantitative economics.

**Board Committees**

***Audit Committee***

Our Audit Committee consists of our four independent non-executive directors, namely, Poon Chiu Kwok, Zhu Jia, Li Qin and Ma Lishan. It is chaired by Poon Chiu Kwok, who has professional qualifications in accountancy. The primary duties of the Audit Committee are to assist our board of directors to provide an independent view of the effectiveness of our financial reporting, internal control and risk management system, to oversee the audit process and to perform other duties and responsibilities as assigned by our board of directors.

**Remuneration Committee**

Our Remuneration Committee consists of one executive director, namely, Sun Hongbin and our four independent non-executive directors, namely, Zhu Jia, Poon Chiu Kwok, Li Qin and Ma Lishan. It is chaired by Zhu Jia. The primary duties of the Remuneration Committee include:

- making recommendations to our directors on policies and structure of remuneration of our directors and senior management and on the establishment of a transparent and formal procedure for developing policies on their remuneration;

- determining the terms of our directors' and senior management's specific remuneration packages; and

- reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by our directors from time to time.

**Nomination Committee**

Our Nomination Committee consists of one executive director, namely, Sun Hongbin and three independent non-executive directors, namely, Poon Chiu Kwok, Li Qin and Ma Lishan. It is chaired by Sun Hongbin. The primary duties of the Nomination Committee include reviewing the structure, size and composition of our board of directors, assessing the independence of our independent non-executive directors, and making recommendations to our board of directors on matters relating to the appointment of directors.

**Directors' Remuneration**

Our executive directors receive compensation, in their capacities as our employees, in the form of salaries, bonuses, other allowances and benefits in kind, including our contribution to the pension scheme for our executive directors in accordance with PRC law.

The aggregate amount of remuneration (including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses) paid to our directors in 2017, 2018 and 2019 was RMB78.1 million, RMB104.0 million and RMB54.5 million (US$7.7 million), respectively.

In addition, our executive directors are entitled to share options granted under the Pre-IPO Share Option Scheme, the Post-IPO Share Option Scheme and the New Share Option Scheme. The aggregate amount of share option expenses we incurred in connection with share option granted to our executive directors was RMB6.8 million, RMB23.1 million and RMB122.7 million (US$17.4 million) in 2017, 2018 and 2019, respectively.

**Share Option Schemes**

To provide an incentive for the employees of our Company and our subsidiaries and associates to work with commitment toward enhancing the value of our Company and our ordinary shares and to retain and attract suitable personnel for the further development of our business, we adopted the Pre-IPO Share Option Scheme on September 9, 2010 (the "Pre-IPO Scheme Adoption Date"), the Post-IPO Share Option Scheme on April 29, 2011 (the "Post-IPO Scheme Adoption Date") and the New Share Option Scheme on May 19, 2014 (the "New Scheme Adoption Date"). On December 22 2017, we offered to grant an aggregate of 59,920,246 share options to certain directors of the Company (the "Directors") and employees of the Group under the New Share Option Scheme. For further information of these share option schemes, please refer to our consolidated financial statements and the related notes included elsewhere in this offering memorandum. We adopted a share award scheme for selected employees on May 8, 2018 to provide additional incentives to our employees and to attract and retain talented employees. Under the share award scheme, selected employees are awarded shares of the Company as determined by our Board. As of June 30, 2020, 40.84 million shares had been awarded to selected employees under the scheme on a cumulative basis.

## PRINCIPAL SHAREHOLDERS

The following table sets forth information regarding beneficial ownership of our ordinary shares as of June 30, 2020 by (i) our directors and senior management and (ii) those persons known by us to beneficially own 5% or more of our outstanding shares. The percentage of beneficial ownership of each person listed below is based on 4,655,714,011 ordinary shares outstanding as of June 30, 2020:

| Name of Shareholder | Nature of Interest/Capacity | Number of Shares or underlying Shares | Approximate percentage of shareholding |
|---|---|---|---|
| Mr. Sun Hongbin[(1)(2)] | Interest in controlled corporations and beneficial interest | 2,091,329,884 (L)[(3)] | 44.92% |
| South Dakota Trust Company LLC | Trustee | 2,042,623,884 (L)[(3)] | 43.87% |
| Sunac International[(2)] | Beneficial interest | 2,042,623,884 (L)[(3)] | 43.87% |

*Notes:*

(1) These 2,091,329,884 Shares were held as to 2,042,623,884 Shares by Sunac International and 48,706,000 Shares by Tianjin Biaodi Investment Consultancy Company Limited (天津標的投資諮詢有限公司) ("Tianjin Biaodi"). All outstanding shares of Sunac International are indirectly held by Mr. Sun through three family trusts. Sunac International and Tianjin Biaodi were wholly and beneficially owned by Mr. Sun. Mr. Sun was also the sole director of Sunac International.

(2) On December 15, 2017, our Company, Sunac International, and a placing agent entered into a placing and subscription agreement, pursuant to which the placing agent agreed to place 251,500,000 new shares of the Company to not less than six independent placees.

(3) The letter "L" denotes the person's long position in such Shares.

Save as disclosed herein, as of June 30, 2020, the Company had not been notified of any persons (other than a Director or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company that were recorded in the register required to be kept under Section 336 of the SFO.

## RELATED PARTY TRANSACTIONS

The following discussion describes certain material related party transactions between our consolidated subsidiaries and our directors, executive officers and substantial shareholders and, in each case, the companies with whom they are affiliated. Each of our related party transactions was entered into in the ordinary course of business, on fair and reasonable commercial terms, in our interests and the interests of our shareholders.

As a listed company on the Hong Kong Stock Exchange, we are subject to the requirements of Chapter 14A of the Listing Rules, which require certain "connected transactions" with "connected persons" be approved by a company's independent shareholders. Each of our related party transactions disclosed hereunder that constitutes a connected transaction within the meaning of the Listing Rules requiring shareholder approval has been so approved or otherwise exempted from compliance under Chapter 14A of the Listing Rules.

The table below sets forth the name and relationship of our related parties with which we have significant related party transactions in 2017, 2018 and 2019 and the six months ended June 30, 2020.

| Name | Relationship |
|---|---|
| Sunac International | Immediate controlling shareholder of our Company |
| Mr. Sun Hongbin | The ultimate controlling shareholder of Sunac International and the chairman of the Board of Directors of our Company |

The following tables set forth certain material transactions between us and our related parties for the periods indicated. Please also see our consolidated financial statements for further information.

| | Year ended December 31, | | | | Six months ended June 30, | |
|---|---|---|---|---|---|---|
| | 2017 | 2018 | 2019 | | 2020 | |
| | (RMB'000) | (RMB'000) | (RMB'000) | (US$'000) (unaudited) | (RMB'000) (unaudited) | (US$'000) (unaudited) |
| Transactions with related parties | | | | | | |
| Cash paid to joint ventures and associates | (76,214,409) | (115,927,541) | (87,503,460) | (12,385,311) | (64,532,260) | (9,133,949) |
| Cash received from joint ventures and associates | 106,127,340 | 108,670,174 | 107,311,162 | 15,188,909 | 65,151,673 | 9,221,621 |
| Interest income | 1,741,778 | 2,780,430 | 4,553,424 | 644,495 | 1,988,717 | 281,485 |
| Compensation of key management personnel | | | | | | |
| Salaries and other short-term benefits | 127,252 | 185,813 | 167,053 | 23,645 | 43,945 | 6,220 |
| Share option scheme | 12,423 | 92,705 | 54,913 | 7,772 | – | – |
| Share award scheme | — | — | 218,636 | 30,946 | 169,788 | 24,032 |

| | As of December 31, | | | | As of June 30, | |
|---|---|---|---|---|---|---|
| | 2017 | 2018 | 2019 | | 2020 | |
| | (RMB'000) | (RMB'000) | (RMB'000) | (US$'000) (unaudited) | (RMB'000) (unaudited) | (US$'000) (unaudited) |
| Related parties balances | | | | | | |
| Amounts due from joint ventures | 50,784,326 | 41,841,542 | 34,204,614 | 4,841,349 | 36,835,826 | 5,213,773 |
| Amounts due from associates | 10,298,464 | 7,124,079 | 6,653,979 | 941,810 | 2,740,707 | 387,922 |
| | 61,082,790 | 48,965,621 | 40,858,593 | 5,783,158 | 39,576,533 | 5,601,695 |
| Amount due to joint ventures | 84,464,115 | 57,176,851 | 55,438,461 | 7,846,805 | 53,061,549 | 7,510,375 |
| Amount due to associates | 7,483,137 | 5,486,315 | 3,495,534 | 494,761 | 4,988,266 | 706,043 |
| | 91,947,252 | 62,663,166 | 58,933,995 | 8,341,566 | 58,049,815 | 8,216,418 |

*Note:* The amounts due from joint ventures and associates have no fixed repayment date. For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, the interest-bearing portion of amounts due from joint ventures and associates bore interests at 4.35% to 12%, 4.35% to 16%, 4.35% to 15% and 3.52% to 16%, respectively per annum and the remaining balance was interest-free. The amounts due to joint ventures and associates are unsecured, interest-free and repayable on demand. Please also see our consolidated financial statements for further information.

## DESCRIPTION OF OTHER MATERIAL INDEBTEDNESS

To fund our existing property projects and to finance our working capital requirements, we have entered into loan and other financing agreements with banks and other financial institutions in China and obtained financing through debt offerings in the international and domestic capital markets. As of June 30, 2020, our total outstanding borrowings, including the Existing Notes, asset-backed securities and corporate bonds amounted to RMB320,332.8 million (US$45,340.2 million). Set forth below is a summary of the material terms and conditions of these loans and other material indebtedness.

### PRC Project Loans

Project loans from PRC banks and other financial institutions, such as trust companies, constitute the major source of our borrowings. These are typically term loans to finance the construction of our projects and have a typical term of one to five years. Certain of our PRC subsidiaries entered into loan agreements with various PRC banks, mainly including China Minsheng Banking Corp., Ltd., Industrial and Commercial Bank of China, China CITIC Bank Co., Ltd., China Bohai Bank, China Construction Bank Co., Ltd., Agricultural Bank of China, Industrial Bank Co., Ltd., Shanghai Pudong Development Bank, Sanya Rural Commercial Bank; Hainan Baisha Rural Commercial Bank; Hainan Wenchang Rural Commercial Bank, as well as certain trust companies.

#### *Interest*

Our project loans bear interest at fixed rates or floating rates calculated by reference to the applicable PBOC benchmark lending rate per annum. Interest payments are payable monthly, quarterly or annually and must be made on each payment date as provided in the particular loan agreement.

#### *Covenants*

Under these project loans, many of our subsidiary borrowers have agreed, among other things, not to take the following actions without first obtaining the lenders' prior consent:

- prepay the loans;
- incur additional debts that may adversely affect their ability to repay the loans;
- create encumbrances on any part of their property or assets or deal with their assets in a way that may adversely affect their ability to repay the loans;
- grant guarantees to any third parties that may adversely affect their ability to repay the loans;
- enter into agreements in a way that may adversely affect their ability to repay the loans;
- make any major changes to their corporate structures, such as entering into joint ventures, mergers and acquisitions and reorganizations;
- alter the nature or scope of business operations, project proposals or budgets in any material respect;
- sell, lease, transfer, give, mortgage, charge or otherwise dispose of any material assets, or lease, transfer, give or re-mortgage assets that have been mortgaged;

- declaring or making payment of dividend or other distribution before the debt service schedules are met;
- prepay the loans, subject to any applicable penalty; and
- transfer part or all of their liabilities under the loans to a third party.

***Guarantee and Security***

The majority of the project loans are secured by land use rights or certain completed properties or properties under development, or both, of the subsidiary borrowers or our other PRC subsidiaries. In addition, certain of our PRC subsidiaries have entered into guarantee agreements with the lenders in connection with some of the project loans, pursuant to which they agreed to guarantee the liabilities of the subsidiary borrowers under the project loans.

***Events of Default***

The project loans contain certain customary events of default, including insolvency, material adverse change in the collateral and breaches of the terms of the loan agreements. The lenders are entitled to terminate their respective agreements and demand immediate repayment of the loans and any accrued interest upon the occurrence of an event of default.

***Trust Financings***

We have obtained, from time to time, secured and unsecured other financings from a number of trust companies in the PRC. They typically have terms ranging from one to two years. Although we have not experienced any difficulty in obtaining bank loans necessary to fund our developments, we also utilize loans from trust companies with a view to diversifying our financing sources, given that loans from trust companies give us more flexibility. We believe this is in line with the industry practice. In general, the interest rates of our other loans from trust companies are higher than those of our bank loans. In addition, while banks generally do not accept transferred equity interests to secure repayment obligations, trust companies are generally more flexible in accepting different types of security. Our other loans may include customary covenants, such as allowing lenders' ongoing supervision of our operational and financial conditions, prohibition against using the borrowings for investment purposes, and requirements to notify the lenders in the event of material adverse changes in our operations and financial conditions. In the event of default, we may be required to make immediate repayments of loans, pay a penalty or indemnify the lenders. Certain of our PRC subsidiaries have pledged a part or 100% of their shares to the relevant trust companies.

**Corporate Bonds**

On June 12, 2016, Sunac Real Estate Group was approved by the CSRC to offer corporate bonds to the public in the PRC with a principal amount of up to RMB4.0 billion (the "2016 Corporate Bonds"). The 2016 Corporate Bonds were issued on August 12, 2016 with an issue size of RMB4.0 billion, consisting of two types. The first type, with an issue size of RMB1.2 billion and a coupon rate at 3.44%, has a term of five years with the option of Sunac Real Estate Group to adjust the coupon rate after the end of the third year and the investors' put option to sell back. The second type, with an issue size of RMB2.8 billion and a coupon rate at 4.0%, has a term of seven years with the option of Sunac Real Estate Group to adjust the coupon rate after the end of the fifth year and the investors' put option to sell back. The 2016 Corporate Bonds are listed on the Shanghai Stock Exchange. As of the date of this offering memorandum, RMB4.0 billion of the 2016 Corporate Bonds remains outstanding.

On March 13, 2020, Sunac Real Estate Group received approval from the CSRC to offer corporate bonds to qualified investors in the PRC with an aggregate principal amount of up to RMB8.0 billion (the "2020 Corporate Bonds"). The first tranche of 2020 Corporate Bonds was issued on April 1, 2020 with an issue size of RMB4.0 billion, a coupon rate at 4.78%, a term of four years with the option of Sunac Real

Estate Group to adjust the coupon rate after the end of the second year and the investors' put option to sell back. The second tranche of 2020 Corporate Bonds was issued on May 27, 2020 with an issue size of RMB3.3 billion, a coupon rate at 5.60%, a term of five years with the option of Sunac Real Estate Group to adjust the coupon rate after the end of the third year and the investors' put option to sell back. The 2020 Corporate Bonds are listed on the Shanghai Stock Exchange. As of the date of this offering memorandum, RMB4.6 billion of the 2020 Corporate Bonds remains outstanding.

**Asset-Backed Securities**

In 2017, 2018 and 2019, we entered into asset-backed special agreements with third-party financing institutions in the form of asset securitization. As of the date of this offering memorandum, RMB9,972.0 million (US$1,411.4 million) of the aggregate principal amount of the asset-backed securities remains outstanding, which includes an issuance on November 27, 2018 in a principal amount of RMB3,300.0 million, an issuance from January 10, 2019 to May 17, 2019 in a principal amount of RMB183.6 million, an issuance from January 11, 2019 to May 24, 2019 in a principal amount of RMB94.0 million, an issuance on March 1, 2019 in a principal amount of RMB664.1 million and an issuance on April 29, 2019 in a principal amount of RMB1,787.0 million and an issuance on August 7, 2020 in a principal amount of RMB501.0 million. The interest rates of the various issuances ranged from 5.8% to 13.0% and maturity was between nine months to three years. These asset-backed securities are backed by the right of receipt of the property management service fee and the certain contract receivables rights of property sales. These securities are guaranteed by Sunac Real Estate.

**Offshore Financing**

***Intercreditor Agreement***

Our Company, the initial Subsidiary Guarantor Pledgors, the Collateral Agent and DB Trustees (Hong Kong) Limited, as trustee with respect to the 2013 Notes and the 2012 Notes entered into the Intercreditor Agreement on April 5, 2013, as so amended, supplemented or modified from time to time. The Intercreditor Agreement provides that the Collateral will be shared on a *pari passu* basis among the holders of the Existing Notes and the facility agent of the 2019 CCB Facilities, holders of any other Existing *Pari Passu* Secured Indebtedness and any holders of any future Permitted Pari Passu Secured Indebtedness or their agent or trustee who become parties to the Intercreditor Agreement. See "Description of the Notes — Security — Intercreditor Agreement."

**July 2021 Notes**

On April 19, 2018, we entered into an indenture (the "July 2021 Indenture") pursuant to which we issued US$650,000,000 principal amount of the 7.35% Senior Notes due 2021. As of the date of this offering memorandum, the entire principal amount of the July 2021 Notes remains outstanding.

***Guarantee***

Our obligations under the July 2021 Notes are guaranteed by certain of our existing subsidiaries (the "July 2021 Subsidiary Guarantors") other than those organized under the laws of the PRC and certain other subsidiaries specified in the July 2021 Indenture. Under certain circumstances and subject to certain conditions, a guarantee by a July 2021 Subsidiary Guarantor may be replaced by a limited-recourse guarantee, referred to as a JV Subsidiary Guarantee in the July 2021 Indenture. Each of the July 2021 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under, the July 2021 Notes.

***Collateral***

In order to secure the obligations under the July 2021 Notes, the Company and the July 2021 Subsidiary Guarantors under the July 2021 Indenture pledged the capital stock of all such July 2021 Subsidiary Guarantors for the benefit of the holders of the July 2021 Notes (the "July 2021 Notes

Collateral"). The July 2021 Notes Collateral may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, the Company and each subsidiary guarantor pledger under the July 2021 Indenture may, subject to certain conditions, incur additional indebtedness provided that such indebtedness would be on a *pari passu* basis with the July 2021 Notes and the related subsidiary guarantees, and other *pari passu* secured indebtedness permitted under the July 2021 Indenture. DB Trustees (Hong Kong) Limited, as trustee with respect to the July 2021 Notes, acceded to the Intercreditor Agreement on April 19, 2018.

***Interest***

The July 2021 Notes bear an interest of 7.35% per annum, payable semi-annually in arrears, except that the first payment of interest, made on July 19, 2018, is in respect of the period from and including April 19, 2018 to but excluding July 19, 2018.

***Covenants***

Subject to certain conditions and exceptions, the July 2021 Indenture contains certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incurring or guaranteeing additional indebtedness and issuing disqualified or preferred stock;
- making investments or other specified restricted payments;
- issuing or selling capital stock of the related restricted subsidiaries;
- guaranteeing indebtedness of the related restricted subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;
- entering into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

***Events of Default***

The July 2021 Indenture contains certain customary events of default, including default in the payment of principal, or of any premium, on the July 2021 Notes, when such payments become due, default in payment of interest which continues for 30 days, breaches of covenants, insolvency and other events of default specified in the July 2021 Indenture. If an event of default occurs and is continuing, the trustee under the July 2021 Indenture or the holders of at least 25% of the outstanding July 2021 Notes may declare the principal of the July 2021 Notes plus any accrued and unpaid interest and premium (if any) to be immediately due and payable.

***Change of Control***

Upon the occurrence of a certain event of change of control and a rating decline, we are obligated to make an offer to repurchase all outstanding July 2021 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

***Maturity and Redemption***

The maturity date of the July 2021 Notes is July 19, 2021.

At any time and from time to time on or after July 19, 2020, we may redeem the July 2021 Notes, in whole or in part, at a redemption price of 103.675% plus accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time prior to July 19, 2020, we may, at our option, redeem the July 2021 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the July 2021 Notes plus a premium as of, and any accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time and from time to time prior to July 19, 2020, we may redeem up to 35% of the aggregate principal amount of the July 2021 Notes at a redemption price equal to 107.35% of the principal amount of the July 2021 Notes, plus any accrued and unpaid interest, to (but not including) the redemption date, with the proceeds from sales of certain kinds of our capital stock, subject to certain conditions.

**August 2022 Notes**

On August 8, 2017, we entered into an indenture (the "August 2022 Indenture") pursuant to which we issued US$600,000,000 principal amount of the 7.950% Senior Notes due 2022. As of the date of this offering memorandum, the entire principal amount of the August 2022 Notes remains outstanding.

***Guarantee***

Our obligations under the August 2022 Notes are guaranteed by certain of our existing subsidiaries (the "August 2022 Subsidiary Guarantors") other than those organized under the laws of the PRC and certain other subsidiaries specified in the August 2022 Indenture. Under certain circumstances and subject to certain conditions, a guarantee by a August 2022 Subsidiary Guarantor may be replaced by a limited-recourse guarantee, referred to as a JV Subsidiary Guarantee in the August 2022 Indenture. Each of the August 2022 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under, the August 2022 Notes.

***Collateral***

In order to secure the obligations under the August 2022 Notes, the Company and the August 2022 Subsidiary Guarantors under the August 2022 Indenture pledged the capital stock of all such August 2022 Subsidiary Guarantors for the benefit of the holders of the August 2022 Notes (the "August 2022 Notes Collateral"). The August 2022 Notes Collateral may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, the Company and each subsidiary guarantor pledgor under the August 2022 Indenture may, subject to certain conditions, incur additional indebtedness provided that such indebtedness would be on a *pari passu* basis with the August 2022 Notes and the related subsidiary guarantees, and other *pari passu* secured indebtedness permitted under the August 2022 Indenture. DB Trustees (Hong Kong) Limited, as trustee with respect to the August 2022 Notes, acceded to the Intercreditor Agreement on August 8, 2017.

***Interest***

The August 2022 Notes bear an interest of 7.950% per annum, payable semi-annually in arrears.

***Covenants***

Subject to certain conditions and exceptions, the August 2022 Indenture contains certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incurring or guaranteeing additional indebtedness and issuing disqualified or preferred stock;

- making investments or other specified restricted payments;
- issuing or selling capital stock of the related restricted subsidiaries;
- guaranteeing indebtedness of the related restricted subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;
- entering into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

***Events of Default***

The August 2022 Indenture contains certain customary events of default, including default in the payment of principal, or of any premium, on the August 2022 Notes, when such payments become due, default in payment of interest which continues for 30 days, breaches of covenants, insolvency and other events of default specified in the August 2022 Indenture. If an event of default occurs and is continuing, the trustee under the August 2022 Indenture or the holders of at least 25% of the outstanding August 2022 Notes may declare the principal of the August 2022 Notes plus any accrued and unpaid interest and premium (if any) to be immediately due and payable.

***Change of Control***

Upon the occurrence of a certain event of change of control and a rating decline, we are obligated to make an offer to repurchase all outstanding August 2022 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

***Maturity and Redemption***

The maturity date of the August 2022 Notes is August 8, 2022.

At any time and from time to time on or after August 8, 2020, we may redeem the August 2022 Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest, if any, to (but not including) the redemption date if redeemed during the twelve month period beginning on August 8 of each of the years indicated below.

| Year | Redemption Price |
|---|---|
| 2020 | 103.9750% |
| 2021 | 101.9875% |

At any time prior to August 8, we may redeem the August 2022 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the August 2022 Notes, plus a premium as of, and any accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time and from time to time prior to August 8, 2020, we may redeem up to 35% of the aggregate principal amount of the August 2022 Notes at a redemption price equal to 107.950% of the principal amount of the August 2022 Notes, plus any accrued and unpaid interest, to (but not including) the redemption date, with the proceeds from sales of certain kinds of our capital stock, subject to certain conditions.

**April 2023 Notes**

On April 19, 2018, we entered into an indenture (the "April 2023 Indenture") pursuant to which we issued US$450,000,000 principal amount of the 8.35% Senior Notes due 2023 (the "Original April 2023 Notes"). On March 25, 2019, we further issued US$200,000,000 principal amount of the 8.35% Senior Notes due 2023 ("the Additional April 2023 Notes"), which were consolidated and formed a single series with the Original April 2023 Notes, (the "April 2023 Notes"). As of the date of this offering memorandum, US$643,000,000 in aggregate principal amount of the April 2023 Notes remains outstanding.

***Guarantee***

Our obligations under the April 2023 Notes are guaranteed by certain of our existing subsidiaries (the "April 2023 Subsidiary Guarantors") other than those organized under the laws of the PRC and certain other subsidiaries specified in the April 2023 Indenture. Under certain circumstances and subject to certain conditions, a guarantee by an April 2023 Subsidiary Guarantor may be replaced by a limited-recourse guarantee, referred to as a JV Subsidiary Guarantee in the April 2023 Indenture. Each of the April 2023 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under, the April 2023 Notes.

***Collateral***

In order to secure the obligations under the April 2023 Notes, the Company and the April 2023 Subsidiary Guarantors under the April 2023 Indenture pledged the capital stock of all such April 2023 Subsidiary Guarantors for the benefit of the holders of the April 2023 Notes (the "April 2023 Notes Collateral"). The April 2023 Notes Collateral may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, the Company and each subsidiary guarantor pledger under the April 2023 Indenture may, subject to certain conditions, incur additional indebtedness provided that such indebtedness would be on a *pari passu* basis with the April 2023 Notes and the related subsidiary guarantees, and other *pari passu* secured indebtedness permitted under the April 2023 Indenture. DB Trustees (Hong Kong) Limited, as trustee with respect to the April 2023 Notes, acceded to the Intercreditor Agreement on April 19, 2018.

***Interest***

The April 2023 Notes bear an interest of 8.35% per annum, payable semi-annually in arrears.

***Covenants***

Subject to certain conditions and exceptions, the April 2023 Indenture contains certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incurring or guaranteeing additional indebtedness and issuing disqualified or preferred stock;
- making investments or other specified restricted payments;
- issuing or selling capital stock of the related restricted subsidiaries;
- guaranteeing indebtedness of the related restricted subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;
- entering into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;

- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

***Events of Default***

The April 2023 Indenture contains certain customary events of default, including default in the payment of principal, or of any premium, on the April 2023 Notes, when such payments become due, default in payment of interest, which continues for 30 days, breaches of covenants, insolvency and other events of default specified in the April 2023 Indenture. If an event of default occurs and is continuing, the trustee under the April 2023 Indenture or the holders of at least 25% of the outstanding April 2023 Notes may declare the principal of the April 2023 Notes plus any accrued and unpaid interest and premium (if any) to be immediately due and payable.

***Change of Control***

Upon the occurrence of a certain event of change of control and a rating decline, we are obligated to make an offer to repurchase all outstanding April 2023 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

***Maturity and Redemption***

The maturity date of the April 2023 Notes is April 19, 2023.

At any time and from time to time on or after April 19, 2021, we may redeem the April 2023 Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest, if any, to (but not including) the redemption date if redeemed during the twelve month period beginning on April 19 of each of the years indicated below.

| Year | Redemption Price |
|---|---|
| 2021 | 104.175% |
| 2022 | 102.0875% |

At any time prior to April 19, 2021, we may, at our option, redeem the April 2023 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the April 2023 Notes plus a premium as of, and any accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time and from time to time prior to April 19, 2021, we may redeem up to 35% of the aggregate principal amount of the April 2023 Notes at a redemption price equal to 108.35% of the principal amount of the April 2023 Notes, plus any accrued and unpaid interest, to (but not including) the redemption date, with the proceeds from sales of certain kinds of our capital stock, subject to certain conditions.

**October 2023 Notes**

On April 11, 2019, we entered into an indenture (the "October 2023 Indenture") pursuant to which we issued US$750.0 million principal amount of the 7.95% Senior Notes due 2023. As of the date of this offering memorandum, US$741,600,000 in aggregate principal amount of the October 2023 Notes remains outstanding.

***Guarantee***

The obligations under the October 2023 Notes are guaranteed by certain of our existing subsidiaries (the "October 2023 Subsidiary Guarantors") other than those organized under the laws of the PRC and certain other subsidiaries specified in the October 2023 Indenture. Under certain circumstances and subject to certain conditions, a guarantee by a October 2023 Subsidiary Guarantor may be replaced by a

limited-recourse guarantee, referred to as a JV Subsidiary Guarantee in the October 2023 Indenture. Each of the October 2023 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under, the October 2023 Notes.

***Collateral***

In order to secure the obligations under the October 2023 Notes, the Company and the October 2023 Subsidiary Guarantors under the October 2023 Indenture pledged the capital stock of all such October 2023 Subsidiary Guarantors for the benefit of the holders of the October 2023 Notes (the "October 2023 Notes Collateral"). The October 2023 Notes Collateral may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, the Company and each subsidiary guarantor pledger under the October 2023 Indenture may, subject to certain conditions, incur additional indebtedness provided that such indebtedness would be on a *pari passu* basis with the October 2023 Notes and the related subsidiary guarantees, and other *pari passu* secured indebtedness permitted under the October 2023 Indenture. DB Trustee (Hong Kong) Limited, as trustee with respect to the October 2023 Notes, acceded to the Intercreditor Agreement on April 11, 2019.

***Interest***

The October 2023 Notes bear an interest of 7.95% per annum, payable semi-annually in arrears.

***Covenants***

Subject to certain conditions and exceptions, the October 2023 Indenture contains certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incurring or guaranteeing additional indebtedness and issuing disqualified or preferred stock;
- making investments or other specified restricted payments;
- issuing or selling capital stock of the related restricted subsidiaries;
- guaranteeing indebtedness of the related restricted subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;
- entering into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

***Events of Default***

The October 2023 Indenture contains certain customary events of default, including default in the payment of principal, or of any premium, on the October 2023 Notes, when such payments become due, default in payment of interest which continues for 30 days, breaches of covenants, insolvency and other events of default specified in the October 2023 Indenture. If any event of default occurs and is continuing, the trustee under the October 2023 Indenture or the holders of at least 25% of the outstanding October 2023 Notes may declare the principal of the October 2023 Notes plus any accrued and unpaid interest and premium (if any) to be immediately due and payable.

***Change of Control***

Upon occurrence of a certain event of change of control and a rating decline, we are obligated to make an offer to repurchase all outstanding October 2023 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

***Maturity and Redemption***

The maturity date of the October 2023 Notes is October 11, 2023.

At any time and from time to time on or after October 11, 2021, we may redeem the October 2023 Notes, in whole or in part, at redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest, if any, to (but not including) the redemption date if redeemed during the twelve month period beginning on October 11 of each of the years indicated below.

| Year | Redemption Price |
|---|---|
| 2021 | 103.975% |
| 2022 | 101.988% |

At any time prior to October 11, 2021, we may, at our option, redeem the October 2023 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the October 2023 Notes plus a premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time and from time to time prior to October 11, 2021, we may redeem up to 35% of the aggregate principal amount of the October 2023 Notes at a redemption price equal to 107.95% of the principal amount of the October 2023 Notes, plus any accrued and unpaid interest, to (but not including) the redemption date, with the proceeds from sales of certain kinds of our capital stock, subject to certain conditions.

**June 2022 Notes**

On June 14, 2019, we entered into an indenture (the "June 2022 Indenture") pursuant to which we issued US$600.0 million principal amount of the 7.25% Senior Notes due 2022. As of the date of this offering memorandum, the entire principal amount of the June 2022 Notes remains outstanding.

***Guarantee***

The obligations under the June 2022 Notes are guaranteed by certain of our existing subsidiaries (the "June 2022 Subsidiary Guarantors") other than those organized under the laws of the PRC and certain other subsidiaries specified in the June 2022 Indenture. Under certain circumstances and subject to certain conditions, a guarantee by a June 2022 Subsidiary Guarantor may be replaced by a limited-recourse guarantee, referred to as a JV Subsidiary Guarantee in the June 2022 Indenture. Each of the June 2022 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under, the June 2022 Notes.

***Collateral***

In order to secure the obligations under the June 2022 Notes, the Company and the June 2022 Subsidiary Guarantors under the June 2022 Indenture pledged the capital stock of all such June 2022 Subsidiary Guarantors for the benefit of the holders of the June 2022 Notes (the "June 2022 Notes Collateral"). The June 2022 Notes Collateral may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, the Company and each subsidiary guarantor pledger under the June 2022 Indenture may, subject to certain conditions, incur additional indebtedness provided that such indebtedness would be on a *pari passu* basis with the June 2022 Notes and the related subsidiary guarantees, and other *pari passu* secured indebtedness permitted under the June 2022 Indenture. DB Trustee (Hong Kong) Limited, as trustee with respect to the June 2022 Notes, acceded to the Intercreditor Agreement on June 14, 2019.

***Interest***

The June 2022 Notes bear an interest of 7.25% per annum, payable semi-annually in arrears.

***Covenants***

Subject to certain conditions and exceptions, the June 2022 Indenture contains certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incurring or guaranteeing additional indebtedness and issuing disqualified or preferred stock;
- making investments or other specified restricted payments;
- issuing or selling capital stock of the related restricted subsidiaries;
- guaranteeing indebtedness of the related restricted subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;
- entering into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

***Events of Default***

The June 2022 Indenture contains certain customary events of default, including default in the payment of principal, or of any premium, on the June 2022 Notes, when such payments become due, default in payment of interest which continues for 30 days, breaches of covenants, insolvency and other events of default specified in the June 2022 Indenture. If any event of default occurs and is continuing, the trustee under the June 2022 Indenture or the holders of at least 25% of the outstanding June 2022 Notes may declare the principal of the June 2022 Notes plus any accrued and unpaid interest and premium (if any) to be immediately due and payable.

***Change of Control***

Upon occurrence of a certain event of change of control and a rating decline, we are obligated to make an offer to repurchase all outstanding June 2022 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

***Maturity and Redemption***

The maturity date of the June 2022 Notes is June 14, 2022.

We may at our option redeem the June 2022 Notes, in whole or in part, at any time and from time to time on or after June 14, 2021 at a redemption price of 103.625% of the principal amount of the Notes plus accrued and unpaid interest, if any, to the redemption date.

At any time prior to June 14, 2021, we may, at our option, redeem the June 2022 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus a premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time and from time to time prior to June 14, 2021, we may redeem up to 35% of the aggregate principal amount of the June 2022 Notes at a redemption price of 107.25% of the principal amount of the June 2022 Notes, plus accrued and unpaid interest if any, to (but not including) the redemption date, with the proceeds from sales of certain kinds of our capital stock, subject to certain conditions.

**February 2024 Notes**

On November 1, 2019, we entered into an indenture (the "February 2024 Indenture") pursuant to which we issued US$650.0 million principal amount of the 7.5% Senior Notes due 2024. As of the date of this offering memorandum, US$633,900,000 in aggregate principal amount of the February 2024 Notes remained outstanding.

***Guarantee***

The obligations under the February 2024 Notes are guaranteed by certain of our existing subsidiaries (the "February 2024 Subsidiary Guarantors") other than those organized under the laws of the PRC and certain other subsidiaries specified in the February 2024 Indenture. Under certain circumstances and subject to certain conditions, a guarantee by a February 2024 Subsidiary Guarantor may be replaced by a limited-recourse guarantee, referred to as a JV Subsidiary Guarantee in the February 2024 Indenture. Each of the February 2024 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under, the February 2024 Notes.

***Collateral***

In order to secure the obligations under the February 2024 Notes, the Company and the February 2024 Subsidiary Guarantors under the February 2024 Indenture pledged the capital stock of all such February 2024 Subsidiary Guarantors for the benefit of the holders of the February 2024 Notes (the "February 2024 Notes Collateral"). The February 2024 Notes Collateral may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, the Company and each subsidiary guarantor pledger under the February 2024 Indenture may, subject to certain conditions, incur additional indebtedness provided that such indebtedness would be on a *pari passu* basis with the February 2024 Notes and the related subsidiary guarantees, and other *pari passu* secured indebtedness permitted under the February 2024 Indenture. DB Trustee (Hong Kong) Limited, as trustee with respect to the February 2024 Notes, acceded to the Intercreditor Agreement on November 1, 2019.

***Interest***

The February 2024 Notes bear an interest of 7.5% per annum, payable semi-annually in arrears.

***Covenants***

Subject to certain conditions and exceptions, the February 2024 Indenture contains certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incurring or guaranteeing additional indebtedness and issuing disqualified or preferred stock;
- making investments or other specified restricted payments;
- issuing or selling capital stock of the related restricted subsidiaries;
- guaranteeing indebtedness of the related restricted subsidiaries;
- selling assets;
- creating liens;

- entering into sale and leaseback transactions;
- entering into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

***Events of Default***

The February 2024 Indenture contains certain customary events of default, including default in the payment of principal, or of any premium, on the February 2024 Notes, when such payments become due, default in payment of interest which continues for 30 days, breaches of covenants, insolvency and other events of default specified in the February 2024 Indenture. If any event of default occurs and is continuing, the trustee under the February 2024 Indenture or the holders of at least 25% of the outstanding February 2024 Notes may declare the principal of the February 2024 Notes plus any accrued and unpaid interest and premium (if any) to be immediately due and payable.

***Change of Control***

Upon occurrence of a certain event of change of control and a rating decline, we are obligated to make an offer to repurchase all outstanding February 2024 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

***Maturity and Redemption***

The maturity date of the February 2024 Notes is February 1, 2024.

We may at our option redeem the February 2024 Notes, in whole or in part, at any time and from time to time on or after February 1, 2022 at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest, if any, to (but not including) the redemption date if redeemed during the twelve month period beginning on February 1 of each of the years indicated below.

| Year | Redemption Price |
|---|---|
| 2022 | 103% |
| 2023 | 101% |

At any time prior to February 1, 2022, we may, at its option, redeem the February 2024 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus a premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time and from time to time prior to February 1, 2022, we may redeem up to 35% of the aggregate principal amount of the February 2024 Notes at a redemption price of 107.5% of the principal amount of the February 2024 Notes, plus accrued and unpaid interest if any, to (but not including) the redemption date, with the proceeds from sales of certain kinds of its capital stock, subject to certain conditions.

**Existing 2025 Notes**

On January 10, 2020, we entered into an indenture (the "Existing 2025 Indenture") pursuant to which we issued US$540.0 million principal amount of the 6.5% Senior Notes due 2025. As of the date of this offering memorandum, the entire principal amount of the Existing 2025 Notes remained outstanding. See "Description of the 2025 Note".

**July 2023 Notes**

On July 9, 2020, we entered into an indenture (the "July 2023 Indenture") pursuant to which we issued US$600.0 million principal amount of the 6.5% Senior Notes due 2023. As of the date of this offering memorandum, the entire principal amount of the July 2023 Notes remained outstanding.

***Guarantee***

The obligations under the July 2023 Notes are guaranteed by certain of our existing subsidiaries (the "July 2023 Subsidiary Guarantors") other than those organized under the laws of the PRC and certain other subsidiaries specified in the July 2023 Indenture. Under certain circumstances and subject to certain conditions, a guarantee by a July 2023 Subsidiary Guarantor may be replaced by a limited-recourse guarantee, referred to as a JV Subsidiary Guarantee in the July 2023 Indenture. Each of the July 2023 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under, the July 2023 Notes.

***Collateral***

In order to secure the obligations under the July 2023 Notes, the Company and the July 2023 Subsidiary Guarantors under the July 2023 Indenture pledged the capital stock of all such July 2023 Subsidiary Guarantors for the benefit of the holders of the July 2023 Notes (the "July 2023 Notes Collateral"). The July 2023 Notes Collateral may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, the Company and each subsidiary guarantor pledger under the July 2023 Indenture may, subject to certain conditions, incur additional indebtedness provided that such indebtedness would be on a *pari passu* basis with the July 2023 Notes and the related subsidiary guarantees, and other *pari passu* secured indebtedness permitted under the July 2023 Indenture. DB Trustee (Hong Kong) Limited, as trustee with respect to the July 2023 Notes, acceded to the Intercreditor Agreement on July 9, 2020.

***Interest***

The July 2023 Notes bear an interest of 6.5% per annum, payable semi-annually in arrears.

***Covenants***

Subject to certain conditions and exceptions, the July 2023 Indenture contains certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incurring or guaranteeing additional indebtedness and issuing disqualified or preferred stock;
- making investments or other specified restricted payments;
- issuing or selling capital stock of the related restricted subsidiaries;
- guaranteeing indebtedness of the related restricted subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;
- entering into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

***Events of Default***

The July 2023 Indenture contains certain customary events of default, including default in the payment of principal, or of any premium, on the July 2023 Notes, when such payments become due, default in payment of interest which continues for 30 days, breaches of covenants, insolvency and other events of default specified in the July 2023 Indenture. If any event of default occurs and is continuing, the trustee under the July 2023 Indenture or the holders of at least 25% of the outstanding July 2023 Notes may declare the principal of the July 2023 Notes plus any accrued and unpaid interest and premium (if any) to be immediately due and payable.

***Change of Control***

Upon occurrence of a certain event of change of control and a rating decline, we are obligated to make an offer to repurchase all outstanding July 2023 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

***Maturity and Redemption***

The maturity date of the July 2023 Notes is July 9, 2023.

At any time and from time to time after July 9, 2022, we may redeem the July 2023 Notes, in whole or in part, at redemption price equal to 102% of the principal amount of the July 2023 Notes plus accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time prior to July 9, 2022, we may, at our option, redeem the July 2023 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the July 2023 Notes plus a premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time and from time to time prior to July 9, 2022, we may redeem up to 35% of the aggregate principal amount of the July 2023 Notes at a redemption price equal to 106.5% of the principal amount of the July 2023 Notes, plus any accrued and unpaid interest, to (but not including) the redemption date, with the proceeds from sales of certain kinds of our capital stock, subject to certain conditions.

**July 2025 Notes**

On July 9, 2020, we entered into an indenture (the "July 2025 Indenture") pursuant to which we issued US$600.0 million principal amount of the 7.0% Senior Notes due 2025. As of the date of this offering memorandum, the entire principal amount of the July 2025 Notes remained outstanding.

***Guarantee***

The obligations under the July 2025 Notes are guaranteed by certain of our existing subsidiaries (the "July 2025 Subsidiary Guarantors") other than those organized under the laws of the PRC and certain other subsidiaries specified in the July 2025 Indenture. Under certain circumstances and subject to certain conditions, a guarantee by a July 2025 Subsidiary Guarantor may be replaced by a limited-recourse guarantee, referred to as a JV Subsidiary Guarantee in the July 2025 Indenture. Each of the July 2025 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under, the July 2025 Notes.

***Collateral***

In order to secure the obligations under the July 2025 Notes, the Company and the July 2025 Subsidiary Guarantors under the July 2025 Indenture pledged the capital stock of all such July 2025 Subsidiary Guarantors for the benefit of the holders of the July 2025 Notes (the "July 2025 Notes Collateral"). The July 2025 Notes Collateral may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, the Company and each subsidiary guarantor pledger under the July 2025 Indenture may, subject to certain conditions, incur additional indebtedness provided that such indebtedness would be on a *pari passu* basis with the July 2025 Notes and the related subsidiary guarantees, and other *pari passu* secured indebtedness permitted under the July 2025 Indenture. DB Trustee (Hong Kong) Limited, as trustee with respect to the July 2025 Notes, acceded to the Intercreditor Agreement on July 9, 2020.

***Interest***

The July 2025 Notes bear an interest of 7.0% per annum, payable semi-annually in arrears.

***Covenants***

Subject to certain conditions and exceptions, the July 2025 Indenture contains certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incurring or guaranteeing additional indebtedness and issuing disqualified or preferred stock;
- making investments or other specified restricted payments;
- issuing or selling capital stock of the related restricted subsidiaries;
- guaranteeing indebtedness of the related restricted subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;
- entering into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

***Events of Default***

The July 2025 Indenture contains certain customary events of default, including default in the payment of principal, or of any premium, on the July 2025 Notes, when such payments become due, default in payment of interest which continues for 30 days, breaches of covenants, insolvency and other events of default specified in the July 2025 Indenture. If any event of default occurs and is continuing, the trustee under the July 2025 Indenture or the holders of at least 25% of the outstanding July 2025 Notes may declare the principal of the July 2025 Notes plus any accrued and unpaid interest and premium (if any) to be immediately due and payable.

***Change of Control***

Upon occurrence of a certain event of change of control and a rating decline, we are obligated to make an offer to repurchase all outstanding July 2025 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

***Maturity and Redemption***

The maturity date of the July 2025 Notes is July 9, 2025.

At any time and from time to time after July 9, 2023, we may redeem the July 2025 Notes, in whole or in part, at redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest, if any, to (but not including) the redemption date if redeemed during the twelve month period beginning on July 9 of each of the years indicated below.

| Year | Redemption Price |
|---|---|
| 2023 | 103% |
| 2024 | 101% |

At any time prior to July 9, 2023, we may, at our option, redeem the July 2025 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the July 2025 Notes plus a premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time and from time to time prior to July 9, 2023, we may redeem up to 35% of the aggregate principal amount of the July 2025 Notes at a redemption price equal to 107.0% of the principal amount of the July 2025 Notes, plus any accrued and unpaid interest, to (but not including) the redemption date, with the proceeds from sales of certain kinds of our capital stock, subject to certain conditions.

**August 2024 Notes**

On August 3, 2020, we entered into an indenture (the "August 2024 Indenture") pursuant to which we issued US$620.0 million principal amount of the 6.65% Senior Notes due 2024. As of the date of this offering memorandum, the entire principal amount of the August 2024 Notes remains outstanding.

***Guarantee***

Our obligations under the August 2024 Notes are guaranteed by certain of our existing subsidiaries (the "August 2024 Subsidiary Guarantors") other than those organized under the laws of the PRC and certain other subsidiaries specified in the August 2024 Indenture. Under certain circumstances and subject to certain conditions, a guarantee by a August 2024 Subsidiary Guarantor may be replaced by a limited-recourse guarantee, referred to as a JV Subsidiary Guarantee in the August 2024 Indenture. Each of the August 2024 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under, the August 2024 Notes.

***Collateral***

In order to secure the obligations under the August 2024 Notes, the Company and the August 2024 Subsidiary Guarantors under the August 2024 Indenture pledged the capital stock of all such August 2024 Subsidiary Guarantors for the benefit of the holders of the August 2024 Notes (the "August 2024 Notes Collateral"). The August 2024 Notes Collateral may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, the Company and each subsidiary guarantor pledgor under the August 2024 Indenture may, subject to certain conditions, incur additional indebtedness provided that such indebtedness would be on a *pari passu* basis with the August 2024 Notes and the related subsidiary guarantees, and other *pari passu* secured indebtedness permitted under the August 2024 Indenture. DB Trustees (Hong Kong) Limited, as trustee with respect to the August 2024 Notes, acceded to the Intercreditor Agreement on August 3, 2020.

***Interest***

The August 2024 Notes bear an interest of 6.65% per annum, payable semi-annually in arrears.

***Covenants***

Subject to certain conditions and exceptions, the August 2024 Indenture contains certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incurring or guaranteeing additional indebtedness and issuing disqualified or preferred stock;
- making investments or other specified restricted payments;
- issuing or selling capital stock of the related restricted subsidiaries;
- guaranteeing indebtedness of the related restricted subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;
- entering into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

***Events of Default***

The August 2024 Indenture contains certain customary events of default, including default in the payment of principal, or of any premium, on the August 2024 Notes, when such payments become due, default in payment of interest which continues for 30 days, breaches of covenants, insolvency and other events of default specified in the August 2024 Indenture. If an event of default occurs and is continuing, the trustee under the August 2024 Indenture or the holders of at least 25% of the outstanding August 2024 Notes may declare the principal of the August 2024 Notes plus any accrued and unpaid interest and premium (if any) to be immediately due and payable.

***Change of Control***

Upon the occurrence of a certain event of change of control and a rating decline, we are obligated to make an offer to repurchase all outstanding August 2024 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

***Maturity and Redemption***

The maturity date of the August 2024 Notes is August 3, 2024. At any time and from time to time on or after August 3, 2022, the Company may redeem the August 2024 Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest, if any, to (but not including) the redemption date if redeemed during the twelve month period beginning on August 3 of each of the years indicated below.

| Year | Redemption Price |
|---|---|
| 2022 | 103% |
| 2023 | 101% |

At any time and from time to time prior to August 3, 2022, the Company may at its option redeem the August 2024 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the August 2024 Notes plus a premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time and from time to time prior to August 3, 2022, the Company may redeem up to 35% of the aggregate principal amount of the August 2024 Notes at a redemption price of 106.65% of the principal amount of the August 2024 Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, with the proceeds from sales of certain kinds of our capital stock, subject to certain conditions.

**Existing 2024 Notes**

On January 26, 2021, we entered into an indenture (the "2024 Indenture") pursuant to which we issued US$600.0 million principal amount of the 5.95% Senior Notes due 2024. As of the date of this offering memorandum, the entire principal amount of the Existing 2024 Notes remains outstanding. See "Description of the 2024 Notes."

**January 2026 Notes**

On January 26, 2021, we entered into an indenture (the "January 2026 Indenture") pursuant to which we issued US$620.0 million principal amount of the 6.5% Senior Notes due 2026. As of the date of this offering memorandum, the entire principal amount of the January 2026 Notes remains outstanding.

***Guarantee***

Our obligations under the January 2026 Notes are guaranteed by certain of our existing subsidiaries (the "January 2026 Subsidiary Guarantors") other than those organized under the laws of the PRC and certain other subsidiaries specified in the January 2026 Indenture. Under certain circumstances and subject to certain conditions, a guarantee by a January 2026 Subsidiary Guarantor may be replaced by a limited-recourse guarantee, referred to as a JV Subsidiary Guarantee in the January 2026 Indenture. Each of the January 2026 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under, the January 2026 Notes.

***Collateral***

In order to secure the obligations under the January 2026 Notes, the Company and the January 2026 Subsidiary Guarantors under the January 2026 Indenture pledged the capital stock of all such January 2026 Subsidiary Guarantors for the benefit of the holders of the January 2026 Notes (the "January 2026 Notes Collateral"). The January 2026 Notes Collateral may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, the Company and each subsidiary guarantor pledgor under the January 2026 Indenture may, subject to certain conditions, incur additional indebtedness provided that such indebtedness would be on a *pari passu* basis with the January 2026 Notes and the related subsidiary guarantees, and other *pari passu* secured indebtedness permitted under the January 2026 Indenture. DB Trustees (Hong Kong) Limited, as trustee with respect to the January 2026 Notes, acceded to the Intercreditor Agreement on January 26, 2021.

***Interest***

The January 2026 Notes bear an interest of 6.5% per annum, payable semi-annually in arrears.

***Covenants***

Subject to certain conditions and exceptions, the January 2026 Indenture contains certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incurring or guaranteeing additional indebtedness and issuing disqualified or preferred stock;
- making investments or other specified restricted payments;

- issuing or selling capital stock of the related restricted subsidiaries;
- guaranteeing indebtedness of the related restricted subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;
- entering into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

***Events of Default***

The January 2026 Indenture contains certain customary events of default, including default in the payment of principal, or of any premium, on the January 2026 Notes, when such payments become due, default in payment of interest which continues for 30 days, breaches of covenants, insolvency and other events of default specified in the January 2026 Indenture. If an event of default occurs and is continuing, the trustee under the January 2026 Indenture or the holders of at least 25% of the outstanding January 2026 Notes may declare the principal of the January 2026 Notes plus any accrued and unpaid interest and premium (if any) to be immediately due and payable.

***Change of Control***

Upon the occurrence of a certain event of change of control and a rating decline, we are obligated to make an offer to repurchase all outstanding January 2026 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

***Maturity and Redemption***

The maturity date of the January 2026 Notes is January 26, 2026. At any time and from time to time on or after January 26, 2024, the Company may redeem the January 2026 Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest, if any, to (but not including) the redemption date if redeemed during the twelve month period beginning on January 26 of each of the years indicated below.

| Year | Redemption Price |
|---|---|
| 2024 | 103% |
| 2025 | 101% |

At any time and from time to time prior to January 26, 2024, the Company may at its option redeem the January 2026 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the January 2026 Notes plus a premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time and from time to time prior to January 26, 2024, the Company may redeem up to 35% of the aggregate principal amount of the January 2026 Notes at a redemption price of 106.5% of the principal amount of the January 2026 Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, with the proceeds from sales of certain kinds of our capital stock, subject to certain conditions.

**Offshore Facilities Agreements**

We have entered into facilities agreements with a number of offshore banks and financial institutions, including but not limited to, Guotai Junan Securities (Hong Kong) Limited, China CITIC Bank International Limited, Industrial and Commercial Bank of China (Asia) Limited, CISI Investment Limited, Luso International Banking Ltd., China Orient Asset Management (International) Holding Limited. As of the date of this offering memorandum, the aggregate outstanding principal amount under these offshore facilities is approximately US$2,840.2 million.

***Guarantee and Security***

Our obligations under certain offshore facilities agreements with, among others, Guotai Junan Securities (Hong Kong) Limited, Industrial and Commercial Bank of China (Asia) Limited, Luso International Banking Ltd., China Orient Asset Management (International) Holding Limited, Nomura Singapore Limited and Morgan Stanley Asia Limited (collectively, the "Guaranteed Loans"), are guaranteed by our Company and/or certain subsidiary guarantors (collectively, the "Loan Subsidiary Guarantors") with certain collateral on assets of certain subsidiaries. Each of the Loan Subsidiary Guarantors, jointly and severally, guarantee the due and punctual payment of the principal, premium and interest on, and all other amounts payable under the Guaranteed Loans and other additional offshore facilities.

***Term***

Our offshore facilities typically have a term ranging from one and half years to three years.

***Interest***

The principal amounts outstanding under most of the offshore facilities generally bear interest at floating rates calculated with reference to the London Interbank Offered Rate, Hong Kong Interbank Offered Rate or Euro Interbank Offered Rate. Certain loan bears interest at a fixed rate.

***Covenants***

Our offshore loans typically contain customary covenants and restrictions, including, among others, negative pledge on assets (with certain exemptions), financial covenants, including consolidated tangible net worth, consolidated net borrowings and interest coverage ratios.

***Events of Default***

Our offshore facilities typically contain certain customary events of default, including non-payment of principal or interest, cross-default, insolvency and breaches of its terms. If an event of default occurs, generally all amounts outstanding including all interest accrued thereon may become immediately due and payable.

**2019 CCB Facilities**

On August 20, 2019, we entered into a facilities agreement with The Hongkong and Shanghai Banking Corporation Limited, China CITIC Bank International Limited, Credit Suisse AG, Singapore Branch, Industrial Bank Co., Ltd., Hong Kong Branch, Hang Seng Bank Limited, Deutsche Bank AG, Singapore Branch, Morgan Stanley Senior Funding, Inc. and EnTie Commercial Bank as the lenders, and China Construction Bank (Asia) Corporation Limited as the facility agent (the "2019 CCB Facilities Agreement"). Pursuant to the 2019 CCB Facilities Agreement, the lenders agreed to make available to us term loan facilities (the "2019 CCB Facilities") in the aggregate amount of US$280 million. Subject to the accession by any banks or financial institutions pursuant to terms of the 2019 CCB Facilities Agreement, the facility will be increased to an aggregate amount of not exceeding US$400 million. The term of the 2019 CCB Facilities is 36 months from the date of the 2019 CCB Facilities Agreement.

***Guarantee and security***

The obligations pursuant to the 2019 CCB Facilities Agreement are guaranteed by the Guarantors as defined in the 2019 CCB Facilities Agreement (the "2019 CCB Loan Subsidiary Guarantors"). Each of the 2019 CCB Loan Subsidiary Guarantors, jointly and severally, guarantee the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under the 2019 CCB Facilities Agreement. In order to secure the obligations under the 2019 CCB Facilities Agreement, the Company and the 2019 CCB Loan Subsidiary Guarantors pledged capital stock of certain 2019 CCB Loan Subsidiary Guarantors for the benefit of the lenders.

***Interest***

The principal amounts outstanding under the 2019 CCB Facilities generally bear interest at floating rates calculated with reference to the London Interbank Offered Rate or Hong Kong Interbank Offered Rate.

***Covenants***

The 2019 CCB Facilities contain customary covenants and restrictions, including, amongst others, negative pledge on assets (with certain exemptions), financial covenants including consolidated tangible net worth, consolidated net borrowings and fixed charge coverage ratios.

***Events of default***

The 2019 CCB Facilities contain certain customary events of default, including non-payment of principal or interest, cross default, insolvency and breaches of its terms. If an event of default occurs, all amounts outstanding including all interest accrued thereon may become immediately due and payable.

We may enter into additional offshore facility agreements in the near future.

# DESCRIPTION OF THE 2025 NOTES

For purposes of this "Description of the 2025 Notes," the term "Company" refers only to Sunac China Holdings Limited, and any successor obligor on the Notes, and not to any of its subsidiaries. Each Subsidiary of the Company which guarantees the Notes is referred to as a "Subsidiary Guarantor," and each such guarantee is referred to as a "Subsidiary Guarantee." Each Subsidiary of the Company that in the future provides a JV Subsidiary Guarantee (as defined herein) is referred to as a "JV Subsidiary Guarantor."

The Existing 2025 Notes were issued under an indenture (the "Indenture"), dated as of the Original Issue Date, among the Company, the Subsidiary Guarantors, as guarantors, the Trustee (as defined below) and the Collateral Agent (as defined below). The New 2025 Notes to be issued pursuant to this offering memorandum constitute Additional Notes under the Indenture and are identical in all respects to the Existing 2025 Notes except for principal amount, issue date, issue price and the first payment of interest, and the New 2025 Notes and the Existing 2025 Notes will be consolidated and form a single series and vote together as one class on all matters with respect to the Notes. Unless the context requires otherwise, the references in this section to "Notes" mean the New 2025 Notes and the Existing 2025 Notes. The total principal amount of the New 2025 Notes to be issued is US$210,000,000. Upon the issue of the New 2025 Notes, the aggregate principal amount of outstanding Notes will be US$750,000,000.

The following is a summary of certain provisions of the Indenture, the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees and the Intercreditor Agreement (as defined below). This summary does not purport to be complete and is qualified in its entirety by reference to all of the provisions of the Indenture, the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Intercreditor Agreement. It does not restate those agreements in their entirety. Whenever particular sections or defined terms of the Indenture not otherwise defined herein are referred to, such sections or defined terms are incorporated herein by reference. Copies of the Indenture are available at the corporate trust office of the Trustee at DB Trustees (Hong Kong) Limited, Level 60 International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong; Attention: The Managing Directors.

**Brief Description of the Notes**

The Notes are:

- general obligations of the Company;
- senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes;
- at least *pari passu* in right of payment with the Existing Pari Passu Secured Indebtedness and all other unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law);
- guaranteed by the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) on a senior basis, subject to the limitations described below under the caption "— The Subsidiary Guarantees" and in "Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral";
- effectively subordinated to the other secured obligations (if any) of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors, to the extent of the value of the assets serving as security therefor (other than the Collateral); and
- effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries (as defined below).

In addition, from the Original Issue Date and until the Release Date, subject to the limitations described in "Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral," the Notes will be secured by a pledge of the Collateral as described below under the caption "— Security" and will, prior to the Release Date:

- be entitled to a lien on the Collateral (subject to any Permitted Liens, the Intercreditor Agreement and shared on a *pari passu* basis with the holders of the Existing Pari Passu Secured Indebtedness and any holders of Permitted Pari Passu Secured Indebtedness); and

- rank effectively senior in right of payment to unsecured obligations of the Company with respect to the value of the Collateral pledged by the Company securing the Notes (subject to any priority rights of such unsecured obligations pursuant to applicable law).

The Notes will mature on January 10, 2025, unless earlier redeemed pursuant to the terms thereof and the Indenture.

The Notes will bear interest at 6.5% per annum from the Original Issue Date or from the most recent interest payment date to which interest has been paid or duly provided for, payable semi-annually in arrears on January 10 and July 10 of each year (each an "Interest Payment Date"), commencing July 10, 2020. Interest on the Notes will be paid to Holders of record at the close of business on June 25 or December 26 immediately preceding an Interest Payment Date (each, a "Record Date"), notwithstanding any transfer, exchange or cancellation thereof after a Record Date and prior to the immediately following Interest Payment Date. Interest on the Notes will be calculated on the basis of a 360-day year comprised of twelve 30-day months. So long as the Notes are held in global form, each payment in respect of the Global Note will be made to the person shown as the holder of the Notes in the Note register at the close of business (of the relevant clearing system) on the Clearing System Business Day before the due date for such payments, where "Clearing System Business Day" means a weekday (Monday to Friday, inclusive) except December 25 and January 1.

Except as described under "Optional Redemption," "Redemption for Taxation Reasons," and otherwise provided in the Indenture, the Notes may not be redeemed prior to maturity (unless they have been repurchased by the Company).

In any case in which the date of the payment of principal of, premium on or interest on the Notes is not a Business Day in the relevant place of payment or in the place of business of the Paying Agent, then payment of such principal, premium or interest need not be made on such date but may be made on the next succeeding Business Day. Any payment made on such Business Day shall have the same force and effect as if made on the date on which such payment is due and no interest on the Notes shall accrue for the period between such due date and such payment date.

The Indenture allows additional Notes (including the New 2025 Notes) to be issued from time to time (the "Additional Notes"), subject to certain limitations described under "— Further Issues." Unless the context requires otherwise, references to the "Notes" for all purposes of the Indenture and this "Description of the 2025 Notes" include any Additional Notes (including the New 2025 Notes) that are actually issued.

The New 2025 Notes will be issued only in fully registered form, without coupons, in denominations of US$200,000 and integral multiples of US$1,000 in excess thereof. No service charge will be made for any registration of transfer or exchange of Notes, but the Company may require payment of a sum sufficient to cover any transfer tax or other similar governmental charge payable in connection therewith.

All payments on the Notes will be made in U.S. dollars by the Company at the office or agency of the Company maintained for that purpose in the Borough of Manhattan, The City of New York or at the office of the Paying Agent, and the Notes may be presented for registration of transfer or exchange at such office or agency; provided that, at the option of the Company, payment of interest may be made by check mailed to the address of the Holders as such address appears in the Note register maintained by the Note Registrar. Interest payable on the Notes held through Euroclear or Clearstream will be available to Euroclear or Clearstream participants (as defined herein) on the Business Day following payment thereof.

**The Subsidiary Guarantees**

The initial Subsidiary Guarantors that executed the Indenture on the Original Issue Date consist of all of the Company's Restricted Subsidiaries other than those Restricted Subsidiaries organized under the laws of the PRC (the "PRC Non-Guarantor Subsidiaries") and the Existing Offshore Non-Guarantor Subsidiaries. The Subsidiary Guarantors are holding companies that do not have significant operations.

The initial Subsidiary Guarantors are Sunac Real Estate Investment Holdings Ltd., Qiwei Real Estate Investment Holdings Ltd., Ying Zi Real Estate Investment Holdings Ltd, Jujin Real Estate Investment Holdings Ltd, Jujin Property Investment Holdings Limited, Ding Sheng Real Estate Investment Holdings Ltd., Ding Sheng Property Investment Holdings Limited, Zhuo Yue Real Estate Investment Holdings Limited and Zhuo Yue Property Investment Holdings Limited.

Other than the initial Subsidiary Guarantors, none of the Company's other Restricted Subsidiaries organized outside the PRC as of the Original Issue Date (collectively, the "Existing Offshore Non-Guarantor Subsidiaries") or the existing PRC Non-Guarantor Subsidiaries will provide a Subsidiary Guarantee or JV Subsidiary Guarantee on the Original Issue Date as of the Original Issue Date. In addition, none of the future Restricted Subsidiaries organized under the laws of the PRC, the Exempted Subsidiaries (as long as it remains an Exempted Subsidiary) or the Listed Subsidiaries (as long as such Listed Subsidiary remains a Listed Subsidiary) will provide a Subsidiary Guarantee or JV Subsidiary Guarantee at any time in the future.

In the case of a Restricted Subsidiary (i) that is established after the Original Issue Date, (ii) that is a Potential Subsidiary Guarantor (as defined below) and (iii) in respect of which the Company or any of its Restricted Subsidiaries (x) is proposing to sell, whether through the sale of existing shares or the issuance of new shares, no less than 20.0% and no more than 49.9% of the Capital Stock of such Restricted Subsidiary or (y) is proposing to purchase no less than 50.1% and no more than 80.0% of the Capital Stock of an Independent Third Party and designate such entity as a Restricted Subsidiary, the Company may, concurrently with the consummation of such sale or purchase, provide a JV Subsidiary Guarantee instead of a Subsidiary Guarantee for (a) such Restricted Subsidiary and (b) the Restricted Subsidiaries of such Restricted Subsidiary that are Potential Subsidiary Guarantors, if the following conditions, in the case of both (a) and (b), are satisfied:

- as of the date of execution of the JV Subsidiary Guarantee, no document exists that is binding on the Company or any of the Restricted Subsidiaries that would have the effect of (a) prohibiting the Company or any of the Restricted Subsidiaries from providing such JV Subsidiary Guarantee or (b) requiring the Company or any of the Restricted Subsidiaries to deliver or keep in place a guarantee on terms that are more favorable to the recipients of such guarantee than the JV Subsidiary Guarantee;

- such sale or issuance of Capital Stock is made to, or such purchase of Capital Stock is purchased from, an Independent Third Party at a consideration that is not less than the appraised value of such Capital Stock by an independent appraisal firm of recognized international standing appointed by the Company;

- all capital contributions (by way of transfer of cash or other property or any payment for property or services for the use of others or otherwise) to be made into a JV Subsidiary Guarantor from the date of the sale of existing Capital Stock or issuance of new Capital Stock as referred to above, shall be made directly or by contribution of assets or services having an equivalent Fair Market Value by (i) the Company and its Restricted Subsidiaries and (ii) such Independent Third Party that purchased or subscribed for Capital Stock in the JV Subsidiary Guarantor in proportion to their respective direct or indirect ownership percentages of the Capital Stock of such JV Subsidiary Guarantor;

- concurrently with providing the JV Subsidiary Guarantee, the Company shall or shall cause such JV Subsidiary Guarantor to deliver to the Trustee:

  (i) (A) a duly executed JV Subsidiary Guarantee of such JV Subsidiary Guarantor (the "JV Subsidiary Guarantee") and each Restricted Subsidiary of such JV Subsidiary Guarantor that is a Potential Subsidiary Guarantor, and (B) a duly executed supplemental indenture to the Indenture pursuant to which such JV Subsidiary Guarantor will guarantee the payment of the Notes, each of which provides, among other things, that the aggregate claims of the Trustee under such JV Subsidiary Guarantee and all JV Subsidiary Guarantees provided by the Restricted Subsidiaries and shareholders of such JV Subsidiary Guarantor will be limited to the JV Entitlement Amount;

(ii) with respect to any such JV Subsidiary Guarantor that becomes a JV Subsidiary Guarantor prior to the Release Date, a duly executed Security Document that pledges in favor of the Collateral Agent the Capital Stock of such JV Subsidiary Guarantor held by the Company or any Subsidiary Guarantor, but not the Capital Stock of the direct or indirect Subsidiaries of such JV Subsidiary Guarantor;

(iii) an Officers' Certificate certifying a copy of the Board Resolution to the effect that such JV Subsidiary Guarantee has been approved by a majority of the disinterested members of the Board of Directors; and

(iv) a legal opinion by a law firm of recognized international standing confirming that under New York law such JV Subsidiary Guarantees are valid, binding and enforceable against the JV Subsidiary Guarantors providing such JV Subsidiary Guarantees (subject to customary qualifications and assumptions).

As of June 30, 2020, the Company and its consolidated subsidiaries had total consolidated indebtedness of approximately RMB320,332.8 million (US$45,340.2 million), of which approximately RMB288,651.3 million (US$40,855.9 million) was secured.

As of June 30, 2020, the Non-Guarantor Subsidiaries had total liabilities of approximately RMB847,082.5 million (US$119,896.7 million) and the Non-Guarantor Subsidiaries had capital commitments of approximately RMB152,172.0 million (US$21,538.5 million) and contingent liabilities of approximately RMB130,057.0 million (US$18,408.4 million).

As of the date of this offering memorandum, the principal amount of our total indebtedness secured by the Collateral that is subject to the Intercreditor Agreement is approximately US$8,518.4 million.

The Subsidiary Guarantee of each Subsidiary Guarantor:

- is a general obligation of such Subsidiary Guarantor;
- is effectively subordinated to secured obligations of such Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor (other than the Collateral);
- is senior in right of payment to all future obligations of such Subsidiary Guarantor expressly subordinated in right of payment to such Subsidiary Guarantee; and
- ranks at least *pari passu* with its Guarantee of the Existing Pari Passu Secured Indebtedness and all other unsecured, unsubordinated Indebtedness of such Subsidiary Guarantor (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law).

If any is provided, the JV Subsidiary Guarantee of each JV Subsidiary Guarantor:

- will be a general obligation of such JV Subsidiary Guarantor;
- will be enforceable only up to the JV Entitlement Amount;
- will be effectively subordinated to secured obligations of such JV Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor;
- will be limited to the JV Entitlement Amount, and will be senior in right of payment to all future obligations of such JV Subsidiary Guarantor expressly subordinated in right of payment to such JV Subsidiary Guarantee; and
- will be limited to the JV Entitlement Amount, and will rank at least *pari passu* with all other unsecured, unsubordinated Indebtedness of such JV Subsidiary Guarantor (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law).

The Company will cause (i) each of its future Restricted Subsidiaries (other than Persons organized under the laws of the PRC, the Exempted Subsidiaries or the Listed Subsidiaries), as soon as practicable (and in any event within 30 days) after it becomes a Restricted Subsidiary, (ii) an Exempted Subsidiary, as soon as practicable (and in any event within 30 days) after it ceases to be an Exempted Subsidiary, and (iii) a Listed Subsidiary, as soon as practicable (and in any event within 30 days) after such Listed Subsidiary ceases to be a Listed Subsidiary (entities in clause (i), (ii) and (iii), each a "Potential Subsidiary Guarantor") to execute and deliver to the Trustee a supplemental indenture to the Indenture pursuant to which such Potential Subsidiary Guarantor will Guarantee the payment of the Notes as either a Subsidiary Guarantor or a JV Subsidiary Guarantor. Notwithstanding the foregoing sentence, the Company may elect to have any Potential Subsidiary Guarantor organized outside the PRC not provide a Subsidiary Guarantee or a JV Subsidiary Guarantee (Restricted Subsidiaries (other than those organized under the laws of the PRC, the Exempted Subsidiaries and the Listed Subsidiaries) that do not provide a Subsidiary Guarantee or JV Subsidiary Guarantee in accordance with the Indenture, the "New Non-Guarantor Subsidiaries") at the time such entity becomes a Restricted Subsidiary or has ceased to be an Exempted Subsidiary or a Listed Subsidiary, as the case may be; *provided* that, after giving effect to the Consolidated Assets of such New Non-Guarantor Subsidiary, the Consolidated Assets of the Relevant Non-Guarantor Subsidiaries do not account for more than 25.0% of the Relevant Total Assets of the Company.

The Board of Directors may at any time remove the designation of any New Non-Guarantor Subsidiary or Existing Offshore Non-Guarantor Subsidiary by causing it to execute a supplemental indenture pursuant to which it will guarantee the Notes under a Subsidiary Guarantee in accordance with the provisions of the Indenture and delivering such supplemental indenture to the Trustee as a result of which it will become a Subsidiary Guarantor. Simultaneously with any such designation if and to the extent it occurs prior to the Release Date, the Company will cause all of the Capital Stock in Restricted Subsidiaries incorporated outside the PRC (other than a Non-Guarantor Subsidiary) owned directly by such Subsidiary Guarantor to be pledged to secure its Subsidiary Guarantee.

In the case of a Subsidiary Guarantor or a JV Subsidiary Guarantor with respect to which the Company or any of its Restricted Subsidiaries is proposing to sell, whether through the sale of existing shares or the issuance of new shares, no less than 20% of the Capital Stock of such Subsidiary Guarantor or a JV Subsidiary Guarantor, the Company may concurrently with the consummation of such sale or issuance of Capital Stock, (a) instruct the Trustee to release the Subsidiary Guarantees or the JV Subsidiary Guarantees provided by such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, and each of its Restricted Subsidiaries organized outside the PRC, and upon such release such Subsidiary Guarantor (or JV Subsidiary Guarantor, as the case may be) and its Restricted Subsidiaries organized outside the PRC will become New Non-Guarantor Subsidiaries (such that each New Non-Guarantor Subsidiary will no longer Guarantee the Notes) and (b) instruct the Collateral Agent to (i) discharge the pledge of the Capital Stock granted by each such New Non-Guarantor Subsidiary and (ii) discharge the pledge of Capital Stock made by the Company or any Subsidiary Guarantor over the shares it owns in each such New Non-Guarantor Subsidiary (in each case, without any requirement to seek the consent or approval of the Holders of the Notes), *provided* that after the release of such Subsidiary Guarantees or JV Subsidiary Guarantees, the Consolidated Assets of the Relevant Non-Guarantor Subsidiaries (including the New Non-Guarantor Subsidiaries) do not account for more than 25.0% of the Relevant Total Assets of the Company. A Subsidiary Guarantee of a Subsidiary Guarantor or a JV Subsidiary Guarantee of a JV Subsidiary Guarantor may only be released pursuant to this paragraph if as of the date of such proposed release, no document exists that is binding on the Company or any of the Restricted Subsidiaries that would have the effect of (a) prohibiting the Company or any of the Restricted Subsidiaries from releasing such Subsidiary Guarantee or JV Subsidiary Guarantee or (b) requiring the Company or such Subsidiary Guarantor or JV Subsidiary Guarantor to deliver or keep in place a guarantee of other Indebtedness of the Company by such Subsidiary Guarantor or JV Subsidiary Guarantor.

Although the Indenture contains limitations on the amount of additional Indebtedness that Restricted Subsidiaries may incur, the amount of such additional Indebtedness could be substantial. In the event of a bankruptcy, liquidation or reorganization of any Non-Guarantor Subsidiary, the Non-Guarantor Subsidiaries will pay the holders of their debt and their trade creditors before they will be able to distribute any of their assets to the Company.

Each Restricted Subsidiary that Guarantees the Notes after the Original Issue Date other than a JV Subsidiary Guarantor is referred to as a "Future Subsidiary Guarantor" and upon execution of the applicable supplemental indenture to the Indenture will be a "Subsidiary Guarantor."

In addition, subject to the limitations described in "Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral," the Subsidiary Guarantee of each Subsidiary Guarantor Pledgor will, prior to the Release Date:

- be entitled to a security interest in the Collateral (subject to any Permitted Liens, the Intercreditor Agreement and shared on a *pari passu* basis with the holders of the Existing Pari Passu Secured Indebtedness and any holders of Permitted Pari Passu Secured Indebtedness) pledged by such Subsidiary Guarantor Pledgor, as described below under the caption "— Security"; and

- rank effectively senior in right of payment to the unsecured obligations of such Subsidiary Guarantor Pledgor with respect to the value of the Collateral securing such Subsidiary Guarantee (subject to any priority rights of such unsecured obligations pursuant to applicable law).

The JV Subsidiary Guarantee of each JV Subsidiary Guarantor will not be secured.

Under the Indenture, and any supplemental indenture to the Indenture, as applicable, each of the Subsidiary Guarantors and JV Subsidiary Guarantors (if any) jointly and severally Guarantees the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes; *provided* that any JV Subsidiary Guarantee will be limited to the JV Entitlement Amount. The Subsidiary Guarantors and JV Subsidiary Guarantors have (1) agreed that their respective obligations under the Subsidiary Guarantees and JV Subsidiary Guarantees, as the case may be, will be enforceable irrespective of any invalidity, irregularity or unenforceability of the Notes or the Indenture and (2) waived their right to require the Trustee to pursue or exhaust its legal or equitable remedies against the Company prior to exercising its rights under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be. Moreover, if at any time any amount paid under a Note or the Indenture is rescinded or must otherwise be restored, the rights of the Holders under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be, will be reinstated with respect to such payment as though such payment had not been made. All payments under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be, are required to be made in U.S. dollars.

Under the Indenture, and any supplemental indenture to the Indenture, as applicable,

- each Subsidiary Guarantee is limited to an amount not to exceed the maximum amount that can be guaranteed by the applicable Subsidiary Guarantor without rendering the Subsidiary Guarantee, as it relates to such Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally; and

- each JV Subsidiary Guarantee will be limited to an amount which is the lower of (i) the JV Entitlement Amount and (ii) an amount not to exceed the maximum amount that can be guaranteed by the applicable JV Subsidiary Guarantor without rendering the JV Subsidiary Guarantee as it relates to such JV Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally.

If a Subsidiary Guarantee or JV Subsidiary Guarantee were to be rendered voidable, it could be subordinated by a court to all other Indebtedness (including guarantees and other contingent liabilities) of the applicable Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, and, depending on the amount of such Indebtedness, a Subsidiary Guarantor's liability on its Subsidiary Guarantee or a JV Subsidiary Guarantor's liability on its JV Subsidiary Guarantee, as the case may be, could in each case be reduced to zero.

The obligations of each Subsidiary Guarantor under its Subsidiary Guarantee and the enforceability of the Collateral granted in respect of the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors may be limited, or possibly invalid, under applicable laws. Similarly, the obligations of each JV Subsidiary Guarantor under its JV Subsidiary Guarantee may be limited, or possibly invalid, under applicable laws. See "Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral — The Subsidiary Guarantees or JV Subsidiary Guarantees may be challenged under applicable insolvency or fraudulent transfer laws, which could impair the enforceability of the Subsidiary Guarantees or JV Subsidiary Guarantees."

***Release of the Subsidiary Guarantees and JV Subsidiary Guarantees***

A Subsidiary Guarantee given by a Subsidiary Guarantor and a JV Subsidiary Guarantee given by a JV Subsidiary Guarantor may be released in certain circumstances, including:

- upon repayment in full of the Notes;
- upon a defeasance as described under "— Defeasance — Defeasance and Discharge";
- upon the designation by the Company of a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, as an Unrestricted Subsidiary in compliance with the terms of the Indenture;
- upon the sale of a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, in compliance with the terms of the Indenture (including the covenants under the captions "— Certain Covenants — Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries," "— Certain Covenants — Limitation on Asset Sales" and "— Consolidation, Merger and Sale of Assets") resulting in such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, no longer being a Restricted Subsidiary, so long as (1) such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, is simultaneously released from its obligations in respect of any of the Company's other Indebtedness or any Indebtedness of any other Restricted Subsidiary and (2) the proceeds from such sale or disposition are used for the purposes permitted or required by the Indenture;
- in the case of a Subsidiary Guarantee, upon the replacement of a Subsidiary Guarantee with a JV Subsidiary Guarantee; or
- in the case of a Subsidiary Guarantor that becomes a New Non-Guarantor Subsidiary, in compliance with the terms of the Indenture.

No release of a Subsidiary Guarantor from its Subsidiary Guarantee or a JV Subsidiary Guarantor from its JV Subsidiary Guarantee shall be effective against the Trustee or the Holders until the Company has delivered to the Trustee an Officer's Certificate stating that all requirements relating to such release have been complied with and such release is authorized and permitted by the terms of the Indenture.

***Replacement of Subsidiary Guarantees with JV Subsidiary Guarantees***

A Subsidiary Guarantee given by a Subsidiary Guarantor may be released following the sale or issuance by the Company or any of its Restricted Subsidiaries of Capital Stock in (a) such Subsidiary Guarantor or (b) any other Subsidiary Guarantor that, directly or indirectly, owns a majority of the Capital Stock of such Subsidiary Guarantor, in each case where such sale or issuance, whether through the sale of existing shares or the issuance of new shares, is for no less than 20.0% and no more than 49.9% of the issued Capital Stock of the relevant Subsidiary Guarantor; provided that the following conditions are satisfied or complied with:

- as of the date of such proposed release, no document exists that is binding on the Company or any of the Restricted Subsidiaries that would have the effect of (a) prohibiting the Company or any of the Restricted Subsidiaries from releasing such Subsidiary Guarantee, (b) prohibiting the Company or any of the Restricted Subsidiaries from providing such JV Subsidiary Guarantee, or (c) requiring the Company or any of the Restricted Subsidiaries to deliver or keep in force a replacement guarantee on terms that are more favorable to the recipients of such guarantee than the JV Subsidiary Guarantee;

- such sale or issuance of Capital Stock is made to an Independent Third Party at a consideration that is not less than the appraised value of such Capital Stock by an independent appraisal firm of recognized international standing appointed by the Company;

- all capital contributions (by way of transfer of cash or other property or any payment for property or services for the use of others or otherwise) to be made into a JV Subsidiary Guarantor from the date of the sale of existing Capital Stock or issuance of new Capital Stock as referred to above, shall be made directly or by contribution of assets or services having an equivalent Fair Market Value by (i) the Company and its Restricted Subsidiaries and (ii) such Independent Third Party that purchased or subscribed for Capital Stock in the JV Subsidiary Guarantor in proportion to their respective direct or indirect ownership percentages of the Capital Stock of such JV Subsidiary Guarantor;

- concurrently with the release of such Subsidiary Guarantee, the Company shall or shall cause such JV Subsidiary Guarantor to deliver to the Trustee:

  (i) (A) a duly executed JV Subsidiary Guarantee of such JV Subsidiary Guarantor and each Restricted Subsidiary of such JV Subsidiary Guarantor that is a Potential Subsidiary Guarantor and (B) a duly executed supplemental indenture to the Indenture pursuant to which such JV Subsidiary Guarantor will guarantee the payment of the Notes, each of which provides, among other things, that the aggregate claims of the Trustee under such JV Subsidiary Guarantee and all JV Subsidiary Guarantees provided by the Restricted Subsidiaries and shareholders of such JV Subsidiary Guarantor will be limited to the JV Entitlement Amount;

  (ii) with respect to any such JV Subsidiary Guarantor that becomes a JV Subsidiary Guarantor prior to the Release Date, a duly executed Security Document that pledges in favor of the Collateral Agent the Capital Stock of such JV Subsidiary Guarantor held by the Company or any Subsidiary Guarantor, but not the Capital Stock of the direct or indirect Subsidiaries of such JV Subsidiary Guarantor;

  (iii) an Officers' Certificate certifying a copy of a Board Resolution to the effect that such JV Subsidiary Guarantee has been approved by a majority of the disinterested members of the Board of Directors; and

  (iv) a legal opinion by a law firm of recognized international standing confirming that under New York law such JV Subsidiary Guarantee is valid, binding and enforceable against the JV Subsidiary Guarantor providing such JV Subsidiary Guarantee (subject to customary qualifications and assumptions).

Notwithstanding the foregoing paragraph, any such sale or issuance of the Capital Stock of the relevant Subsidiary Guarantor (including where such sale results in the relevant Subsidiary Guarantor ceasing to be a Restricted Subsidiary) will need to comply with the other covenants set forth in the Indenture, including, without limitation, the "Limitation on Asset Sales" and "Limitation on Restricted Payments" covenants.

Any Net Cash Proceeds from the sale of such Capital Stock shall be applied by the Company (or any Restricted Subsidiary) in accordance with the "Limitation on Asset Sales" covenant.

As of the date of this offering memorandum, all of the Company's Subsidiaries other than the Existing Unrestricted Subsidiaries are "Restricted Subsidiaries." However, under the circumstances described below under the caption "— Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries," the Company will be permitted to designate certain of its Subsidiaries as "Unrestricted Subsidiaries." The Company's Unrestricted Subsidiaries are generally not subject to the restrictive covenants in the Indenture. The Company's Unrestricted Subsidiaries do not Guarantee the Notes.

**Security**

The Company and the initial Subsidiary Guarantor Pledgors have pledged in favor of the Collateral Agent the capital stock of all of the initial Subsidiary Guarantors owned by the Company or the Subsidiary Guarantor Pledgors (the "Collateral") (subject to Permitted Liens and *pari passu* sharing as described below) in order to secure the obligations of the Company under the debt agreements of the Existing Pari Passu Secured Indebtedness and of such Subsidiary Guarantor Pledgors under their respective subsidiary guarantees of the Existing Pari Passu Secured Indebtedness and the obligations of the Company or any Subsidiary Guarantor Pledgor under any Permitted Pari Passu Secured Indebtedness.

The Company has agreed to extend, or cause the initial Subsidiary Guarantor Pledgors to extend, as the case may be, the benefit of the security interests created over the Collateral to the Holders on the Original Issue Date in order to secure the obligations of the Company under the Notes and the Indenture and of such initial Subsidiary Guarantor Pledgors under their respective Subsidiary Guarantees. Upon the execution of the Intercreditor Agreement in the manner as described under "— Intercreditor Agreement", such security interests will be so extended.

The initial Subsidiary Guarantor Pledgors are Jujin Real Estate Investment Holdings Ltd., Ding Sheng Real Estate Investment Holdings Ltd. and Zhuo Yue Real Estate Investment Holdings Limited. None of the Capital Stock of the Non-Guarantor Subsidiaries will be pledged on the Original Issue Date or at any time in the future, *provided* that if the Company designates any of the Non-Guarantor Subsidiaries as a Subsidiary Guarantor or a JV Subsidiary Guarantor after the Original Issue Date but prior to the Release Date, the Capital Stock of such Subsidiary Guarantor or the Capital Stock (directly owned by the Company or any Subsidiary Guarantor) of such JV Subsidiary Guarantor, as the case may be, will be pledged, as soon as reasonably practicable (but in any event within 30 days) after such designation, to secure the obligations of the Company under the Notes and the Indenture, and of the Subsidiary Guarantors under the Subsidiary Guarantees, in the manner described above. In addition, subject to the foregoing sentence, none of the Capital Stock of any future Restricted Subsidiary that may be organized under the laws of the PRC or other Non-Guarantor Subsidiaries will be pledged at any time in the future. If any JV Subsidiary Guarantor is established prior to the Release Date, the Capital Stock of such JV Subsidiary Guarantor owned directly by the Company or any Subsidiary Guarantor will be pledged to secure the obligations of the Company under the Notes and the Indenture, and of such Subsidiary Guarantor under its Subsidiary Guarantee, as the case may be, in the manner described above. However, none of the JV Subsidiary Guarantors will provide a Security Document pledging the Capital Stock of its direct or indirect Subsidiaries as security in favor of the Trustee.

The Company has also agreed, for the benefit of the Holders, to pledge, or cause each Subsidiary Guarantor (other than a JV Subsidiary Guarantor, if any) to pledge, the Capital Stock directly owned by the Company or such Subsidiary Guarantor of (i) any Person that becomes a Restricted Subsidiary (other than Persons organized under the laws of the PRC or other Non-Guarantor Subsidiaries and their

respective Subsidiaries) after the Original Issue Date, as soon as practicable (but in any event within 30 days) after such Person becomes a Restricted Subsidiary, (ii) an Exempted Subsidiary that remains as a Restricted Subsidiary (other than the Listed Subsidiaries), as soon as practicable (but in any event within 30 days) after such Person ceases to be an Exempted Subsidiary or (iii) a Listed Subsidiary that remains a Restricted Subsidiary (other than Persons organized under the laws of the PRC and the Exempted Subsidiaries), as soon as practicable (but in any event within 30 days) after such Listed Subsidiary ceases to be a Listed Subsidiary, to secure (subject to Permitted Liens and the Intercreditor Agreement) the obligations of the Company under the Notes and the Indenture, and of such Subsidiary Guarantor under its Subsidiary Guarantee, in the manner described above. This paragraph shall cease to apply and cease to have any effect on the Release Date.

Each Subsidiary Guarantor that pledges Capital Stock of a Restricted Subsidiary after the Original Issue Date is referred to as a "Future Subsidiary Guarantor Pledgor" and, upon giving such pledge, will be a "Subsidiary Guarantor Pledgor."

In addition, the Company has agreed, for the benefit of the Holders, to pledge, or cause each Subsidiary Guarantor (other than a JV Subsidiary Guarantor, if any) to pledge, any Capital Stock of a Restricted Subsidiary (other than a Restricted Subsidiary organized under the laws of the PRC or other Non-Guarantor Subsidiaries or a Restricted Subsidiary owned directly by such Restricted Subsidiary) issued to, acquired, or otherwise obtained by the Company or such Subsidiary Guarantor after the Original Issue Date, promptly upon such Capital Stock being issued, acquired or otherwise obtained, to secure the obligations of the Company under the Notes and the Indenture, and of such Subsidiary Guarantor under its Subsidiary Guarantee. This paragraph shall cease to apply and cease to have any effect on the Release Date.

The value of the Collateral securing the Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors (as reduced by the obligations owed to other secured creditors under the Intercreditor Agreement) is unlikely to be sufficient to satisfy the Company's and each of the Subsidiary Guarantor Pledgors' obligations under the Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors (as reduced by the obligations owed to other secured creditors under the Intercreditor Agreement), and the Collateral securing the Notes and such Subsidiary Guarantee (as reduced by the obligations owed to other secured creditors under the Intercreditor Agreement) may be reduced or diluted under certain circumstances, including the issuance of Additional Notes and other Permitted Pari Passu Secured Indebtedness and the disposition of assets comprising the Collateral, subject to the terms of the Indenture. See "— Release of Security" and "Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral — The value of the Collateral is unlikely to be sufficient to satisfy our obligations under the Notes, the Existing Pari Passu Secured Indebtedness and the Permitted Pari Passu Secured Indebtedness."

DB Trustees (Hong Kong) Limited will initially act as the Trustee and the Collateral Agent under the Security Documents and the Intercreditor Agreement, in respect of the security over the Collateral. The Collateral Agent shall have such duties with respect to the Collateral as are set forth in the Indenture, the Intercreditor Agreement and the Security Documents. Under certain circumstances, the Trustee and the Collateral Agent may have obligations under the Security Documents or the Intercreditor Agreement that are in conflict with the interests of the Holders, the holders of the Existing Pari Passu Secured Indebtedness and the holders of the Permitted Pari Passu Secured Indebtedness.

No appraisals of the Collateral have been prepared in connection with this offering of the Notes. There can be no assurance that the proceeds of any sale of the Collateral, in whole or in part, pursuant to the Indenture and the Security Documents following an Event of Default (as reduced by the obligations owed to other secured creditors under the Intercreditor Agreement), would be sufficient to satisfy amounts due on the Notes or the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors. By its nature, some or all of the Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, there can be no assurance that the Collateral would be sold in a timely manner or at all.

So long as no Payment Default has occurred and is continuing, and subject to the terms of the Security Documents and the Indenture, the Company and the Subsidiary Guarantor Pledgors, as the case may be, will be entitled to exercise any and all voting rights and to receive, retain and use any and all cash dividends, stock dividends, liquidating dividends, non-cash dividends, shares or stock resulting from stock splits or reclassifications, rights issues, warrants, options and other distributions (whether similar or dissimilar to the foregoing) in respect of Capital Stock constituting Collateral.

***Permitted Pari Passu Secured Indebtedness***

On or after the Original Issue Date, the Company and each Subsidiary Guarantor Pledgor may create Liens on the Collateral *pari passu* with the Lien for the benefit of the Holders to secure Indebtedness of the Company or any Subsidiary Guarantor (including Additional Notes) and any *Pari Passu* Guarantee with respect to such Indebtedness (such Indebtedness of the Company or any Subsidiary Guarantor and any such *Pari Passu* Guarantee, "Permitted Pari Passu Secured Indebtedness"); *provided* that (1) the Company or such Subsidiary Guarantor was permitted to Incur such Indebtedness under the covenant under the caption "— Limitation on Indebtedness and Preferred Stock," (2) the holders of such Indebtedness (other than Additional Notes) (or their trustee, representative or agent) become party to the Intercreditor Agreement referred to below; and (3) the Company and such Subsidiary Guarantor Pledgor deliver to the Trustee and the Collateral Agent (as defined below) an Opinion of Counsel and an Officers' Certificate with respect to corporate and collateral matters in connection with the Security Documents, stating that either (x) all necessary actions have been taken with respect to the recording, registering and filing of the Security Documents, financing statements or other instruments necessary to make effective the Liens intended to be created by the Security Documents, and reciting the details of such action or (y) no such action is necessary to make such Lien effective. The Trustee and/or the Collateral Agent, as the case may be, will be permitted and authorized, without the consent of any Holder, to enter into any amendment to the Security Documents, the Intercreditor Agreement or the Indenture and take any other action necessary to permit the creation and registration of Liens on the Collateral to secure Permitted Pari Passu Secured Indebtedness in accordance with this paragraph and the terms of the Indenture (including, without limitation, the appointment of the Collateral Agent or any other collateral agent to hold the Collateral on behalf of the Holders, the holders of the Existing Pari Passu Secured Indebtedness and the holders of Permitted Pari Passu Secured Indebtedness).

Except for certain Permitted Liens and the Permitted Pari Passu Secured Indebtedness, the Company and its Restricted Subsidiaries will not be permitted to issue or incur any other Indebtedness secured by all or any portion of the Collateral without the consent of each Holder of the Notes then outstanding.

None of the Trustee, the Collateral Agent or any of their respective officers, directors, employees, attorneys or agents will be responsible or liable for the existence, genuineness, value or protection of any Collateral securing the Notes, for the legality, enforceability, effectiveness or sufficiency of the Security Documents or the Intercreditor Agreement, for the creation, perfection, continuation, priority, sufficiency or protection of any of the Liens, or for any defect or deficiency as to any such matters, or for any failure to demand, collect, foreclose or realize upon or otherwise enforce any of the Liens or Security Documents or any delay in doing so.

***Intercreditor Agreement***

(i) The Company, (ii) the initial Subsidiary Guarantor Pledgors, (iii) the Collateral Agent, (iv) DB Trustees (Hong Kong) Limited, as trustee with respect to the 2013 Notes and the 2012 Notes have entered into an intercreditor agreement dated as of April 5, 2013, to which DB Trustees (Hong Kong) Limited as trustee with respect to, among others, the August 2022 Notes, the July 2021 Notes, the April 2023 Notes, the October 2023 Notes, the June 2022 Notes, the February 2024 Notes, the July 2023 Notes, the July 2025 Notes, the August 2024 Notes, the April 2024 Notes and the January 2026 Notes, acceded to on the respective issue dates, including August 8, 2017, April 19, 2018, April 19, 2018, April 11, 2019, June 14, 2019, November 1, 2019, July 9, 2020, July 9, 2020, August 3, 2020, January 26, 2021 and January 26, 2021, respectively, and to which the 2019 CCB Facility Agent with respect to the 2019 CCB Facilities acceded on August 20, 2019, and to which Bank of America, N.A. with respect to the 2019 BAML Facility

acceded on October 10, 2019, and to which the Trustee acceded on the Original Issue Date (as so amended, supplemented or modified from time to time, the "Intercreditor Agreement"), pursuant to which the parties thereto agree that (1) the secured parties thereto and the holders of any future Permitted Pari Passu Secured Indebtedness (or their trustee, representative or agent) will share equal priority and pro rata entitlement in and to the Collateral; (2) the Collateral shall only be substituted or released and Liens only be granted on the Collateral to the extent permitted under the Debt Documents; (3) holders of any future Permitted Pari Passu Secured Indebtedness (or their respective trustees, representatives or agents) that are secured by the Collateral shall also appoint the Collateral Agent to act as their collateral agent with respect to the Collateral; and (4) the conditions under which the Collateral Agent shall enforce the rights of the secured parties thereto with respect to the Collateral and the Indebtedness secured thereby as described in "— Enforcement of Security" below.

Prior to the Incurrence of any Permitted Pari Passu Secured Indebtedness (other than Additional Notes), the holders of such Permitted Pari Passu Secured Indebtedness (or their representative, trustee or agent) will accede to the Intercreditor Agreement to include the holders (or their representatives, trustees or agents) of such Permitted Pari Passu Secured Indebtedness as parties to the Intercreditor Agreement.

By accepting the Notes, each Holder shall be deemed to have consented to the execution of the Intercreditor Agreement, any amendments or modifications thereto, any accession thereto by any holder of Permitted Pari Passu Secured Indebtedness and any future intercreditor agreement required under the Indenture.

***Enforcement of Security***

The Liens (subject to any Permitted Lien and the Intercreditor Agreement) securing the Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors will be granted to the Collateral Agent. DB Trustees (Hong Kong) Limited will act as the initial Collateral Agent under the Security Documents. The Collateral Agent, subject to the Intercreditor Agreement, will hold such Liens over the Collateral granted pursuant to the Security Documents with sole authority as directed by the written instruction of the Creditor Representatives (as defined herein) to exercise remedies under the Security Documents (subject to the terms of the Intercreditor Agreement). The Collateral Agent has agreed to act as secured party on behalf of the creditors under the Debt Documents (as defined herein) under the applicable Security Documents, to follow the instructions provided to it by one or more of the Creditor Representatives under the Indenture, the Security Documents and/or the Intercreditor Agreement and to carry out certain other duties. The Trustee will give instructions to the Collateral Agent by itself or in accordance with instructions it receives from the Holders under the Indenture.

The Intercreditor Agreement will provide that the Collateral Agent will enforce the Collateral in accordance with a written instruction by any Creditor Representative to do so if it does not receive any conflicting instruction, and in the case of conflicting instructions delivered by two or more Creditor Representatives, the Collateral Agent will only enforce the Collateral upon receiving written instructions from the Majority Creditors.

All payments received and all amounts held by the Collateral Agent in respect of the Collateral under the Security Documents will be, subject to the Intercreditor Agreement, applied as follows:

*first*, to the Collateral Agent to the extent necessary to reimburse the Collateral Agent for any expenses (including reasonable expenses of its counsel) incurred in connection with the collection or distribution of such amounts held or realized or in connection with expenses incurred in enforcing all available remedies under the Intercreditor Agreement and the Security Documents and preserving the Collateral and all amounts for which the Collateral Agent is entitled to indemnification under the Intercreditor Agreement and the Security Documents;

*second*, to the extent not reimbursed under the above paragraph, to the Trustee, the Agents (as defined under the caption "Concerning the Collateral Agent, the Trustee and the Paying Agent"), the trustee for, and the agents relating to, the Existing Pari Passu Secured Indebtedness and other Creditor

Representatives, to the extent necessary to reimburse the foregoing persons ratably for any expenses (including reasonable expenses of counsel) incurred in connection with the collection or distribution of such amounts held or realized or in connection with expenses incurred in enforcing all available remedies under the Debt Documents, the Intercreditor Agreement and the Security Documents and preserving the Collateral and all amounts for which the foregoing persons are entitled to indemnification under the Debt Documents, the Intercreditor Agreement and the Security Documents;

*third*, ratably to each of the Trustee for the benefit of the Holders, each trustee or agent for each series of the Existing Pari Passu Secured Indebtedness for the benefit of the holders of such series of the Existing Pari Passu Secured Indebtedness to satisfy outstanding obligations under the Notes and the Indenture, the Existing Pari Passu Secured Indebtedness and the debt agreements of the Existing Pari Passu Secured Indebtedness and, to the extent applicable, to other Creditor Representatives for the benefit of the holders of any Permitted Pari Passu Secured Indebtedness to satisfy outstanding obligations thereunder (in each case, to the extent not paid pursuant to the paragraphs above), in accordance with the terms of the relevant Debt Documents; and

*fourth*, any surplus remaining after such payments will be paid to the Company, the Subsidiary Guarantor Pledgors or to whomever may be lawfully entitled thereto.

Subject to the Intercreditor Agreement, all payments received by the Trustee pursuant to the Intercreditor Agreement or otherwise and all amounts held by the Trustee will be applied as follows:

- first, payment to the Trustee, the Agents and any attorney or agent appointed under the Indenture, for any unpaid fees, costs and expenses properly incurred by it;

- second, payment to the Trustee for the benefit of the holders of the Notes, ratably (including the principal, interest and premium thereon); and

- third, any surplus remaining after such payments will be paid to the Company or the Subsidiary Guarantors or to whomever may be lawfully entitled thereto.

The Collateral Agent may refrain from acting in accordance with the instructions of the Holders, the holders for the Existing Pari Passu Secured Indebtedness and the holders of the Permitted Pari Passu Secured Indebtedness and may decline to expend its own funds, foreclose on the Collateral or exercise remedies available if it does not receive indemnification and/or security to its satisfaction. In addition, the Collateral Agent's ability to foreclose on the Collateral may be subject to lack of perfection, the consent of third parties, prior Liens and practical problems associated with the realization of the Collateral Agent's Liens on the Collateral. Neither the Trustee, the Collateral Agent nor any of their respective officers, directors, employees, attorneys or agents will be responsible or liable for the existence, genuineness, value or protection of any Collateral securing the Notes, for the legality, enforceability, effectiveness or sufficiency of the Security Documents or the Intercreditor Agreement, for the creation, perfection, continuation, priority, sufficiency or protection of any of the Liens, or for any defect or deficiency as to any such matters, or for any failure to demand, collect, foreclose or realize upon or otherwise enforce any of the Liens or Security Documents or any delay in doing so.

The Security Documents provide that the Company and the Subsidiary Guarantor Pledgors will indemnify the Collateral Agent for all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind (including reasonable expenses of its counsel) imposed against the Collateral Agent arising out of the Intercreditor Agreement, or the Security Documents except to the extent that any of the foregoing are finally judicially determined to have resulted from the fraud, gross negligence or willful misconduct of the Collateral Agent.

This section, "— Enforcement of Security," shall be subject to any amendments to the Security Documents, the Intercreditor Agreement or the Indenture to permit the creation of Liens on the Collateral to secure Permitted Pari Passu Secured Indebtedness in accordance with "— Permitted Pari Passu Secured Indebtedness" above.

***Release of Security***

The security created in respect of the Collateral granted under the Security Documents with respect to the Notes may be released in certain circumstances, including:

- upon repayment in full of the Notes;
- upon defeasance and discharge of the Notes as provided below under the caption "— Defeasance — Defeasance and Discharge";
- upon certain dispositions of the Collateral in compliance with the covenants under the captions "— Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries" or "— Limitation on Asset Sales" or in accordance with the provision under the caption "— Consolidation, Merger and Sale of Assets";
- with respect to security granted by a Subsidiary Guarantor Pledgor, upon the release of the Subsidiary Guarantee of such Subsidiary Guarantor Pledgor in accordance with the terms of the Indenture;
- in connection with and upon execution of a JV Subsidiary Guarantee to replace a Subsidiary Guarantee, with respect to all pledges of Capital Stock granted by such JV Subsidiary Guarantor (or its Subsidiaries) in its direct and indirect Subsidiaries, and in accordance with the terms of the Indenture;
- with respect to any pledge over any Capital Stock of any Subsidiary Guarantor or JV Subsidiary Guarantor, upon the release of the Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, of such Subsidiary Guarantor or JV Subsidiary Guarantor, and in accordance with the terms of the Indenture;
- with respect to any pledge over any Capital Stock of any Subsidiary Guarantor or JV Subsidiary Guarantor, upon the designation by the Company of (i) such Subsidiary Guarantor or JV Subsidiary Guarantor, or (ii) the Subsidiary Guarantor Pledgor pledging the Capital Stock of such Subsidiary Guarantor or JV Subsidiary Guarantor, as an Unrestricted Subsidiary, and in accordance with the terms of the Indenture; and
- with respect to the Collateral, at any time after the date on which no outstanding Indebtedness other than the Notes is secured by the Collateral (the "Release Date"); provided that, no Default has occurred and is continuing on such date.

**Further Issues**

Subject to the covenants described below and in accordance with the terms of the Indenture, the Company may, from time to time, without notice to or the consent of the Holders, create and issue Additional Notes having the same terms and conditions as the Notes (including the benefit of the Subsidiary Guarantees and JV Subsidiary Guarantees) in all respects (or in all respects except for the issue date, issue price and the date and/or amount of the first payment of interest on them and, to the extent necessary, certain temporary securities law transfer restrictions) (a "Further Issue") so that such Additional Notes may be consolidated and form a single class with the previously outstanding Notes and vote together as one class on all matters with respect to the Notes; provided that the issuance of any such Additional Notes shall then be permitted under the "Limitation on Indebtedness and Preferred Stock" covenant described below.

**Optional Redemption**

At any time and from time to time on or after January 10, 2023, the Company may redeem the Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest, if any, to (but not including) the redemption date if redeemed during the twelve month period beginning on January 10 of each of the years indicated below.

| Year | Redemption Price |
|---|---|
| 2023 | 103% |
| 2024 | 101% |

At any time prior to January 10, 2023, the Company may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. The Company will give not less than 30 days' nor more than 60 days' notice of any redemption.

At any time and from time to time prior to January 10, 2023, the Company may redeem up to 35% of the aggregate principal amount of the Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Company in an Equity Offering at a redemption price of 106.5% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date; *provided* that at least 65% of the aggregate principal amount of the Notes originally issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

***Selection and Notice***

The Company will give not less than 30 days' nor more than 60 days' notice of any redemption. If less than all of the Notes are to be redeemed at any time, the Trustee will select Notes for redemption as follows:

(1) if the Notes are listed on any securities exchange or are held through a clearing system, in compliance with the requirements of the principal national securities exchange on which the Notes are listed or the requirements of the clearing system; or

(2) if the Notes are not listed on any securities exchange, on a pro rata basis, by such method as the Trustee deems fair and appropriate unless otherwise required by law or by applicable securities exchange or clearing system requirements.

A Note of US$200,000 in principal amount or less shall not be redeemed in part. If any Note is to be redeemed in part only, the notice of redemption relating to such Note will state the portion of the principal amount to be redeemed. A new Note in principal amount equal to the unredeemed portion will be issued upon cancellation of the original Note. On and after the redemption date, interest will cease to accrue on Notes or portions of them called for redemption.

**Repurchase of Notes Upon a Change of Control Triggering Event**

Not later than 30 days following a Change of Control Triggering Event, the Company will make an Offer to Purchase all outstanding Notes (a "Change of Control Offer") at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to (but not including) the Offer to Purchase Payment Date.

The Company has agreed in the Indenture that it will timely repay all Indebtedness or obtain consents as necessary under, or terminate, agreements or instruments that would otherwise prohibit a Change of Control Offer required to be made pursuant to the Indenture. Notwithstanding this agreement of the Company, it is important to note that if the Company is unable to repay (or cause to be repaid) all of the Indebtedness, if any, that would prohibit repurchase of the Notes or is unable to obtain the requisite consents of the holders of such Indebtedness, or terminate any agreements or instruments that would otherwise prohibit a Change of Control Offer, it would continue to be prohibited from purchasing the Notes. In that case, the Company's failure to purchase tendered Notes would constitute an Event of Default under the Indenture.

Certain of the events constituting a Change of Control Triggering Event under the Notes will also constitute an event of default under certain debt instruments of the Company and its Subsidiaries. Future debt of the Company may also (1) prohibit the Company from purchasing Notes in the event of a Change of Control Triggering Event; (2) provide that a Change of Control Triggering Event is a default; or (3) require repurchase of such debt upon a Change of Control Triggering Event. Moreover, the exercise by the Holders of their right to require the Company to purchase the Notes could cause a default under other Indebtedness, even if the Change of Control Triggering Event itself does not, due to the financial effect of the purchase on the Company. The Company's ability to pay cash to the Holders following the occurrence of a Change of Control Triggering Event may be limited by the Company's and the Subsidiary Guarantors' then-existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make the required purchase of the Notes. See "Risk Factors — Risks Relating to the Notes and this Offering — We may not be able to repurchase the Notes upon a Change of Control Triggering Event."

The phrase "all or substantially all," as used with respect to the assets of the Company in the definition of "Change of Control," will likely be interpreted under applicable law of the relevant jurisdictions and will be dependent upon particular facts and circumstances. As a result, there may be a degree of uncertainty in ascertaining whether a sale or transfer of "all or substantially all" the assets of the Company has occurred.

Except as described above with respect to a Change of Control Triggering Event, the Indenture does not contain provisions that permit the Holders to require that the Company purchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

***No Mandatory Redemption or Sinking Fund***

There will be no mandatory redemption or sinking fund payments for the Notes.

**Additional Amounts**

All payments of principal of, and premium (if any) and interest on the Notes or under the Subsidiary Guarantees and JV Subsidiary Guarantees will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or within any jurisdiction in which the Company, a Surviving Person (as defined under the caption "— Consolidation, Merger and Sale of Assets") or an applicable Subsidiary Guarantor or JV Subsidiary Guarantor is organized or resident for tax purposes or any political subdivision or taxing authority thereof or therein, including, without limitation, if applicable, the PRC (each, as applicable, a "Relevant Taxing Jurisdiction"), or the jurisdiction or any political subdivision or taxing authority thereof

or therein through which payments are made (each, as applicable and with each Relevant Taxing Jurisdiction, a "Relevant Jurisdiction"), unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. In the event that any such withholding or deduction is so required, the Company, a Surviving Person or the applicable Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, will pay such additional amounts ("Additional Amounts") as will result in receipt by the Holder of each Note, of such amounts as would have been received by such Holder had no such withholding or deduction been required, except that no Additional Amounts shall be payable:

(1) for or on account of:

(a) any tax, duty, assessment or other governmental charge that would not have been imposed but for:

(i) the existence of any present or former connection between the Holder or beneficial owner of such Note, and the Relevant Jurisdiction, other than merely holding such Note or the receipt of payments thereunder or under a Subsidiary Guarantee or JV Subsidiary Guarantee, including, without limitation, such Holder or beneficial owner being or having been a national, domiciliary or resident of such Relevant Jurisdiction or treated as a resident thereof or being or having been physically present or engaged in a trade or business therein or having or having had a permanent establishment therein;

(ii) the presentation of such Note (in cases in which presentation is required) more than 30 days after the later of the date on which the payment of the principal of, premium, if any, and interest on, such Note became due and payable pursuant to the terms thereof or was made or duly provided for, except to the extent that the Holder thereof would have been entitled to such Additional Amounts if it had presented such Note for payment on any date within such 30-day period;

(iii) the failure of the Holder or beneficial owner to comply with a timely request of the Company, a Surviving Person, any Subsidiary Guarantor or any JV Subsidiary Guarantor, addressed to the Holder, to provide information concerning such Holder's or beneficial owner's nationality, residence, identity or connection with any Relevant Jurisdiction, if and to the extent that due and timely compliance with such request is required under the tax laws of such jurisdiction in order to reduce or eliminate any withholding or deduction as to which Additional Amounts would have otherwise been payable to such Holder; or

(iv) the presentation of such Note (in cases in which presentation is required) for payment in the Relevant Jurisdiction, unless such Note could not have been presented for payment elsewhere;

(b) any estate, inheritance, gift, sale, transfer, personal property or similar tax, assessment or other governmental charge;

(c) any tax, assessment, withholding or deduction required by sections 1471 through 1474 of the Internal Revenue Code of 1986, as amended ("FATCA"), any current or future Treasury Regulations or rulings promulgated thereunder, any intergovernmental agreement between the United States and any other jurisdiction to implement FATCA, any law, regulation or other official guidance enacted in any jurisdiction implementing FATCA, or any agreement with the U.S. Internal Revenue Service under FATCA; or

(d) any combination of taxes, duties, assessments or other governmental charges referred to in the preceding clauses (a), (b) and (c); or

(2) to a Holder that is a fiduciary, partnership or person other than the sole beneficial owner of any payment to the extent that such payment would be required to be included in the income under the laws of a Relevant Jurisdiction, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, or a member of that partnership or a beneficial owner who would not have been entitled to such Additional Amounts had that beneficiary, settlor, member or beneficial owner been the Holder thereof.

Whenever there is mentioned in any context the payment of principal of, and any premium or interest on, any Note or under any Subsidiary Guarantee or JV Subsidiary Guarantee, such mention shall be deemed to include payment of Additional Amounts provided for in the Indenture to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

**Redemption for Taxation Reasons**

The Notes may be redeemed, at the option of the Company or a Surviving Person with respect to the Company, as a whole but not in part, upon giving not less than 30 days' nor more than 60 days' notice to the Holders and upon reasonable notice in advance of such notice to Holders to the Trustee and the Paying and Transfer Agent (which notice shall be irrevocable), at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to the date fixed by the Company or the Surviving Person, as the case may be, for redemption (the "Tax Redemption Date") if, as a result of:

(1) any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction affecting taxation; or

(2) any change in the existing official position or the stating of an official position regarding the application or interpretation of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction),

which change or amendment is proposed and becomes effective (i) with respect to the Company or any initial Subsidiary Guarantor, on or after the Original Issue Date, or (ii) with respect to any Future Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person, on or after the date such Future Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person becomes a Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person, with respect to any payment due or to become due under the Notes or the Indenture, the Company, a Surviving Person, a Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, is, or on the next Interest Payment Date would be, required to pay Additional Amounts, and such requirement cannot be avoided by the taking of reasonable measures by the Company, a Surviving Person, a Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be; *provided* that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Company, a Surviving Person, a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, would be obligated to pay such Additional Amounts if a payment in respect of the Notes were then due.

Prior to the mailing of any notice of redemption of the Notes pursuant to the foregoing, the Company, a Surviving Person, a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, will deliver to the Trustee at least 30 days but not more than 60 days before the Tax Redemption Date:

(1) an Officers' Certificate stating that such change or amendment referred to in the prior paragraph has occurred, describing the facts related thereto and stating that such requirement cannot be avoided by the Company, such Surviving Person, Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, taking reasonable measures available to it; and

(2) an Opinion of Counsel or an opinion of a tax consultant, in either case of recognized standing with respect to tax matters of the Relevant Taxing Jurisdiction, stating that the requirement to pay such Additional Amounts results from such change or amendment referred to in the prior paragraph.

The Trustee shall accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, in which event it shall be conclusive and binding on the Holders.

Any Notes that are redeemed will be cancelled.

**Certain Covenants**

Set forth below are summaries of certain covenants contained in the Indenture.

***Limitation on Indebtedness and Preferred Stock***

(1) The Company will not, and will not permit any Restricted Subsidiary to, Incur any Indebtedness (including Acquired Indebtedness), and the Company will not permit any Restricted Subsidiary to issue Preferred Stock, provided that the Company or any Subsidiary Guarantor may Incur Indebtedness (including Acquired Indebtedness) and any Restricted Subsidiary (other than a Subsidiary Guarantor) may Incur Permitted Subsidiary Indebtedness if, after giving effect to the Incurrence of such Indebtedness or Permitted Subsidiary Indebtedness and the receipt and application of the proceeds therefrom, (x) no Default has occurred and is continuing and (y) the Fixed Charge Coverage Ratio would be not less than 2.0 to 1.0. Notwithstanding the foregoing, the Company will not permit any Restricted Subsidiary to Incur any Disqualified Stock (other than Disqualified Stock held by the Company or a Subsidiary Guarantor, so long as it is so held).

(2) Notwithstanding the foregoing, the Company and, to the extent provided below, any Restricted Subsidiary may Incur each and all of the following ("Permitted Indebtedness"):

(a) Indebtedness under the Notes (excluding any Additional Notes and any Permitted Pari Passu Secured Indebtedness of the Company) and each Subsidiary Guarantee and JV Subsidiary Guarantee;

(b) any Pari Passu Guarantees;

(c) Indebtedness of the Company or any Restricted Subsidiary outstanding on the Original Issue Date excluding Indebtedness permitted under clause (d); *provided* that such Indebtedness of Restricted Subsidiaries (other than the Subsidiary Guarantors) shall be included in the calculation of Permitted Subsidiary Indebtedness (other than any such Indebtedness described in clauses (d), (f), (g) and (m) below);

(d) Indebtedness of the Company or Indebtedness or Preferred Stock of any Restricted Subsidiary owed to or held by the Company or any Restricted Subsidiary; *provided* that (i) any event which results in any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any subsequent transfer of such Indebtedness (other than to the Company or any Restricted Subsidiary) shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (d) and (ii) if the Company is the obligor on such Indebtedness and none of the Subsidiary Guarantors and JV Subsidiary Guarantors are the obligee, such Indebtedness must be unsecured and expressly be subordinated in right of payment to the Notes, and if a Subsidiary Guarantor or a JV Subsidiary Guarantor is the obligor on such Indebtedness and neither the Company nor any Subsidiary Guarantor or JV Subsidiary Guarantor is the obligee, such Indebtedness must be unsecured and expressly be subordinated in right of payment to the Subsidiary Guarantee of such Subsidiary Guarantor or the JV Subsidiary Guarantee of such JV Subsidiary Guarantor, as the case may be; *provided further* that, any Preferred Stock issued by a Subsidiary Guarantor and held by the Company or another Restricted Subsidiary must by the terms thereof or by operation of law be subordinated in right of payment to the Subsidiary Guarantee of such Subsidiary Guarantor;

(e) Indebtedness ("Permitted Refinancing Indebtedness") issued in exchange for, or the net proceeds of which are used to refinance, refund, replace, exchange, renew, repay, defease, discharge or extend (collectively, "refinance" and "refinances" and "refinanced" shall have a correlative meaning), then outstanding Indebtedness (or Indebtedness that is no longer outstanding but that is refinanced substantially concurrently with the Incurrence of such Permitted Refinancing Indebtedness) Incurred under the immediately preceding paragraph (1) or clauses (a), (b), (c), (h), (p), (q), (r), (s), (v) or (w) of this paragraph (2) and any refinancings thereof in an amount not to exceed the amount so refinanced (plus premiums, accrued interest, fees and expenses); *provided* that (i) Indebtedness the proceeds of which are used to refinance the Notes or Indebtedness that is *pari passu* with, or subordinated in right of payment to, the Notes or a Subsidiary Guarantee or a JV Subsidiary Guarantee shall only be permitted under this clause (e) if (A) in case the Notes are refinanced in part or the Indebtedness to be refinanced is *pari passu* with the Notes or a Subsidiary Guarantee or a JV Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is outstanding, is expressly made *pari passu* with, or subordinate in right of payment to, the remaining Notes or such Subsidiary Guarantee or such JV Subsidiary Guarantee, as the case may be, or (B) in case the Indebtedness to be refinanced is subordinated in right of payment to the Notes or a Subsidiary Guarantee or a JV Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made subordinate in right of payment to the Notes or such Subsidiary Guarantee or such JV Subsidiary Guarantee, as the case may be, at least to the extent that the Indebtedness to be refinanced is subordinated to the Notes or such Subsidiary Guarantee or such JV Subsidiary Guarantee, (ii) such new Indebtedness, determined as of the date of Incurrence of such new Indebtedness, does not mature prior to the Stated Maturity of the Indebtedness to be refinanced, and the Average Life of such new Indebtedness is at least equal to the remaining Average Life of the Indebtedness to be refinanced, (iii) in no event may Indebtedness of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor be refinanced pursuant to this clause by means of any Indebtedness of any Restricted Subsidiary that is not a Subsidiary Guarantor or a JV Subsidiary Guarantor, and (iv) in no event may Indebtedness of the Company or any Subsidiary Guarantor be refinanced pursuant to this clause by means of any Indebtedness of any JV Subsidiary Guarantor (*provided* that this sub-clause (iv) shall not prohibit the replacement of a Subsidiary Guarantee by a JV Subsidiary Guarantee if otherwise permitted by the Indenture);

(f) Indebtedness Incurred by the Company or any Restricted Subsidiary pursuant to Hedging Obligations (i) entered into in the ordinary course of business and designed solely to protect the Company or any of its Restricted Subsidiaries from fluctuations in interest rates, currencies or the price of commodities and not for speculation or (ii) designed to reduce or manage interest expenses;

(g) Pre-Registration Mortgage Guarantees by the Company or any Restricted Subsidiary;

(h) Indebtedness Incurred by the Company or any Restricted Subsidiary for the purpose of financing or refinancing (x) all or any part of the purchase price of assets, real or personal property (including the lease purchase price of land use rights) or equipment to be used in the ordinary course of business by the Company or a Restricted Subsidiary, including any such purchase through the acquisition of Capital Stock of any Person that owns such real or personal property or equipment which will, upon acquisition, become a Restricted Subsidiary, or (y) all or any part of the purchase price or the cost of development, construction or improvement of real or personal property (including the lease purchase price of land use rights) or equipment to be used in the ordinary course of business by the Company or such Restricted Subsidiary; *provided* that in the case of clauses (x) and (y), (A) the aggregate principal amount of such Indebtedness shall not exceed such purchase

price or cost, (B) such Indebtedness shall be Incurred no later than 180 days after the acquisition of such property or completion of such development, construction or improvement and (C) on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate principal amount outstanding of all such Indebtedness permitted by this clause (h) (together with any refinancings thereof, but excluding any Contractor Guarantees or Guarantees Incurred under this clause (h) to the extent the amount of such Contractor Guarantees or Guarantees is otherwise reflected in such aggregate principal amount) plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred under clauses (p), (q), (r), (s), (w) or (x) below (together with any refinancings thereof, but excluding any Contractor Guarantees or Guarantees Incurred under clauses (p), (q), (r), (s), (w) or (x) below to the extent the amount of such Contractor Guarantees or Guarantees Incurred is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 35% of Total Assets;

(i) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting reimbursement obligations with respect to workers' compensation claims or self-insurance obligations or bid, performance or surety bonds (in each case other than for an obligation for borrowed money);

(j) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting reimbursement obligations with respect to letters of credit, trade guarantees or similar instruments issued in the ordinary course of business to the extent that such letters of credit, trade guarantees or similar instruments are not drawn upon or, if drawn upon, to the extent such drawing is reimbursed no later than the 30 days following receipt by the Company or such Restricted Subsidiary of a demand for reimbursement;

(k) Indebtedness arising from agreements providing for indemnification, adjustment of purchase price or similar obligations, or from Guarantees or letters of credit, surety bonds or performance bonds securing any obligation of the Company or any Restricted Subsidiary pursuant to such agreements, in any case, Incurred in connection with the disposition of any business, assets or Restricted Subsidiary, other than Guarantees of Indebtedness Incurred by any Person acquiring all or any portion of such business, assets or Restricted Subsidiary for the purpose of financing such acquisition; *provided* that the maximum aggregate liability in respect of all such Indebtedness in the nature of such Guarantee shall at no time exceed the gross proceeds actually received from the sale of such business, assets or Restricted Subsidiary;

(l) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business provided, that such Indebtedness is extinguished within five Business Days of Incurrence;

(m) Guarantees by the Company or any Restricted Subsidiary of Indebtedness of the Company or any Restricted Subsidiary that was permitted to be Incurred by another provision of this covenant, subject to the "Limitation on Issuances of Guarantees by Restricted Subsidiaries" covenant;

(n) Indebtedness of the Company or any Restricted Subsidiary maturing in one year or less; *provided* that the aggregate principal amount of Indebtedness permitted by this clause (n) at any time outstanding does not exceed 3% of Total Assets;

(o) Indebtedness of the Company or any Restricted Subsidiary constituting an obligation to pay the deferred purchase price of Capital Stock in a Person pursuant to a Staged Acquisition Agreement, to the extent that such deferred purchase price is paid within 12 months after the date the Company or such Restricted Subsidiary enters into such Staged Acquisition Agreement;

(p) Indebtedness Incurred or Preferred Stock issued by the Company or any Restricted Subsidiary arising from any Investment made by a Trust Company Investor in a Restricted Subsidiary; *provided* that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (p) together with any refinancings thereof, but excluding any Contractor Guarantees or Guarantees Incurred under this clause (p) to the extent the amount of such Contractor Guarantees or Guarantees is otherwise reflected in such aggregate principal amount) plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred under clause (h) above or (q), (r), (s), (w) or (x) below (together with any refinancings thereof, but excluding any Contractor Guarantees or Guarantees Incurred under clauses (h) above or (q), (r), (s), (w) or (x) below to the extent the amount of such Contractor Guarantees or Guarantees is otherwise reflected in such aggregate principal amount), does not exceed an amount equal to 35% of Total Assets;

(q) Bank Deposit Secured Indebtedness Incurred by the Company or any Restricted Subsidiary; *provided* that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (q) (together with any refinancings thereof, but excluding any Guarantees Incurred under this clause (q) to the extent the amount of such Guarantees is otherwise reflected in such aggregate principal amount), plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred pursuant to clauses (h) or (p) above or clauses (r), (s), (w) or (x) below (together with any refinancings thereof, but excluding any Contractor Guarantees or Guarantees Incurred under clauses (h) or (p) above or (r), (s), (w) or (x) below to the extent the amount of such Contractor Guarantees or Guarantees is otherwise reflected in such aggregate principal amount), does not exceed an amount equal to 35% of Total Assets;

(r) (x) Indebtedness Incurred by the Company or any Restricted Subsidiary which is secured by Investment Properties or fixed assets, and Guarantees thereof by the Company or any Restricted Subsidiary or (y) Indebtedness Incurred by the Company or any Restricted Subsidiary in the form of Capitalized Lease Obligations or Attributable Indebtedness with respect to a Sale and Leaseback Transaction that would otherwise be permitted under the covenant entitled "Limitation on Sale and Leaseback Transactions"; *provided* that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (r) (together with any refinancings thereof, but excluding any Guarantees Incurred under this clause (r) to the extent the amount of such Guarantees is otherwise reflected in such aggregate principal amount), plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred pursuant to clauses (h), (p) or (q) above or (s),(w) or (x) below (together with any refinancings thereof, but excluding any Contractor Guarantees or Guarantees Incurred under clauses (h), (p) or (q) above or (s), (w) or (x) below to the extent the amount of such Contractor Guarantees or Guarantees is otherwise reflected in such aggregate principal amount), does not exceed an amount equal to 35% of Total Assets;

(s) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting a Guarantee of any Indebtedness of any Person by the Company or such Restricted Subsidiary; *provided* that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (s) (together with any refinancings thereof), plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred pursuant to clauses (h), (p), (q) or (r) above or (w) or (x) below (together with any refinancings thereof, but excluding any Contractor Guarantees or Guarantees Incurred under clauses (h), (p), (q) or (r) above or (w) or (x) below to the extent the amount of such Contractor Guarantees or Guarantees is otherwise reflected in such aggregate principal amount), does not exceed an amount equal to 35% of Total Assets;

(t) Indebtedness Incurred by the Company constituting a Subordinated Shareholder Loan;

(u) Indebtedness Incurred by a Finance Subsidiary that is guaranteed by the Company to the extent the Company is permitted to incur such Indebtedness under this covenant;

(v) Indebtedness of the Company or any Restricted Subsidiary in an aggregate principal amount outstanding at any time (together with refinancings thereof) not to exceed US$25 million (or the Dollar Equivalent thereof);

(w) Acquired Indebtedness of any Restricted Subsidiary Incurred and outstanding on the date on which such Restricted Subsidiary became a Restricted Subsidiary (other than Indebtedness Incurred (i) to provide all or any portion of the funds utilized to consummate the transaction or series of transactions pursuant to which a Person becomes a Restricted Subsidiary or was otherwise acquired by the Company or a Restricted Subsidiary or (ii) otherwise in contemplation of a Person becoming a Restricted Subsidiary or any such acquisition); *provided* that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (w) (together with any refinancings thereof, but excluding any Contractor Guarantees or Guarantees Incurred under this clause (w) to the extent the amount of such Contractor Guarantees or Guarantees is otherwise reflected in such aggregate principal amount), plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred pursuant to clauses (h), (p), (q), (r) or (s) above or (x) below (together with any refinancings thereof, but excluding any Contractor Guarantees or Guarantees Incurred under clauses (h), (p), (q), (r) or (s) above or (x) below to the extent the amount of such Contractor Guarantees or Guarantees is otherwise reflected in such aggregate principal amount), does not exceed an amount equal to 35% of Total Assets;

(x) Indebtedness of the Company or any Restricted Subsidiary constituting an obligation to pay the deferred purchase price of Capital Stock of a Person pursuant to a Minority Interest Staged Acquisition Agreement, to the extent that such deferred purchase price is paid within 12 months after the date the Company or such Restricted Subsidiary enters into such Minority Interest Staged Acquisition Agreement; *provided* that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (x) (together with any refinancings thereof, but excluding any Contractor Guarantees or Guarantees Incurred under this clause (x) to the extent the amount of such Contractor Guarantees or Guarantees is otherwise reflected in such aggregate principal amount), plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred pursuant to clauses (h), (p), (q), (r), (s) or (w) above (together with any refinancings thereof, but excluding any Contractor Guarantees or Guarantees Incurred under clauses (h), (p), (q), (r), (s) or (w) above to the extent the amount of such Contractor Guarantees or Guarantees is otherwise reflected in such aggregate principal amount), does not exceed an amount equal to 35% of Total Assets; or

(y) Indebtedness Incurred or Preferred Stock issued by any trust, fund, partnership, asset management plan or similar business entity (i) of which the Company or any Restricted Subsidiary acts as a general partner or otherwise holds Capital Stock and (ii) which is not consolidated by the Company in accordance with GAAP.

(3) For purposes of determining compliance with this "Limitation on Indebtedness and Preferred Stock" covenant, in the event that an item of Indebtedness meets the criteria of more than one of the types of Indebtedness described above, including under the proviso in the first paragraph of part (1), the Company, in its sole discretion, shall classify, and from time to time may reclassify, such item of Indebtedness and only be required to include the amount of such Indebtedness as one of such types.

(4) Notwithstanding any other provision of the Indenture, the maximum amount of Indebtedness that may be Incurred pursuant to this covenant will not be deemed to be exceeded with respect to any outstanding Indebtedness due solely to the result of fluctuations in the exchange rates of currencies.

***Limitation on Restricted Payments***

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly (the payments or any other actions described in clauses (1) through (4) below being collectively referred to as "Restricted Payments"):

(1) declare or pay any dividend or make any distribution on or with respect to the Company's or any of its Restricted Subsidiaries' Capital Stock (other than dividends or distributions payable or paid in shares of the Company's or any of its Restricted Subsidiaries' Capital Stock (other than Disqualified Stock or Preferred Stock) or in options, warrants or other rights to acquire shares of such Capital Stock) held by Persons other than the Company or any Wholly Owned Restricted Subsidiary;

(2) purchase, call for redemption or redeem, retire or otherwise acquire for value any shares of Capital Stock of the Company or any Restricted Subsidiary (including options, warrants or other rights to acquire such shares of Capital Stock) or any direct or indirect parent of the Company held by any Persons other than the Company or any Wholly Owned Restricted Subsidiary other than (i) the purchase of Capital Stock of a Restricted Subsidiary pursuant to a Staged Acquisition Agreement permitted to be entered into under the Indenture or (ii) any purchase of Capital Stock that is permitted under clause (18) of the definition of Permitted Investment;

(3) make any voluntary or optional principal payment, or voluntary or optional redemption, repurchase, defeasance, or other acquisition or retirement for value, of Indebtedness that is subordinated in right of payment to the Notes or any of the Subsidiary Guarantees or any of the JV Subsidiary Guarantees (excluding any intercompany Indebtedness between or among the Company and any of its Wholly Owned Restricted Subsidiaries) or make any payment of principal or interest or other payment with respect to a Subordinated Shareholder Loan; or

(4) make any Investment, other than a Permitted Investment;

if, at the time of, and after giving effect to, the proposed Restricted Payment referred to in clauses (1) through (4) above:

(a) Default has occurred and is continuing or would occur as a result of such Restricted Payment;

(b) the Company could not Incur at least US$1.00 of Indebtedness under the proviso in the first paragraph of part (1) of the covenant under the caption "— Limitation on Indebtedness and Preferred Stock"; or

(c) such Restricted Payment, together with the aggregate amount of all Restricted Payments made by the Company and its Restricted Subsidiaries after the Measurement Date, shall exceed the sum of:

    (i) 50% of the aggregate amount of the Consolidated Net Income of the Company (or, if the Consolidated Net Income is a loss, minus 100% of the amount of such loss) accrued on a cumulative basis during the period (taken as one accounting period) beginning on the first day of the fiscal quarter during which the 2012 Notes are originally issued and ending on the last day of the Company's most recently ended fiscal quarter for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may include internal consolidated financial statements); plus

(ii) 100% of the aggregate Net Cash Proceeds received by the Company after the Measurement Date as a capital contribution to its common equity or from the issuance and sale of its Capital Stock (other than Disqualified Stock) to a Person who is not a Subsidiary of the Company, including any such Net Cash Proceeds received upon (A) the conversion of any Indebtedness (other than Subordinated Indebtedness) of the Company into Capital Stock (other than Disqualified Stock) of the Company, or (B) the exercise by a Person who is not a Subsidiary of the Company of any options, warrants or other rights to acquire Capital Stock of the Company (other than Disqualified Stock) in each case excluding the amount of any such Net Cash Proceeds used to redeem, repurchase, defease or otherwise acquire or retire for value any Subordinated Indebtedness or Capital Stock of the Company; plus

(iii) the amount by which Indebtedness of the Company or any of its Restricted Subsidiaries is reduced on the Company's consolidated balance sheet upon the conversion or exchange (other than by a Subsidiary of the Company) subsequent to the Measurement Date of any Indebtedness of the Company or any of its Restricted Subsidiaries convertible or exchangeable into Capital Stock (other than Disqualified Stock) of the Company (less the amount of any cash, or the Fair Market Value of any other property, distributed by the Company upon such conversion or exchange); plus

(iv) an amount equal to the net reduction in Investments (other than reductions in Permitted Investments) that were made after the Measurement Date in any Person resulting from (A) payments of interest on Indebtedness, dividends or repayments of loans or advances by such Person, in each case to the Company or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income) after the Measurement Date, (B) the unconditional release of a Guarantee provided by the Company or a Restricted Subsidiary after the Measurement Date of an obligation of another Person, (C) to the extent that an Investment made after the Measurement Date was, after such date, or is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment, (D) from redesignations of Unrestricted Subsidiaries as Restricted Subsidiaries, not to exceed, in each case, the amount of Investments (other than Permitted Investments) made by the Company or a Restricted Subsidiary after the Measurement Date in any such Person, or (E) any Person becoming a Restricted Subsidiary (whereupon all Investments made by the Company or any Restricted Subsidiary in such Person since the Measurement Date shall be deemed to have been made pursuant to clause (1) of the definition of "Permitted Investment") but only to the extent such Investments by the Company or any Restricted Subsidiary in such Person was a Restricted Payment made to the extent permitted under this paragraph (c); plus

(v) US$30 million (or the Dollar Equivalent thereof).

The foregoing provision shall not be violated by reason of:

(1) the payment of any dividend or redemption of any Capital Stock within 60 days after the related date of declaration or call for redemption if, at said date of declaration or call for redemption, such payment or redemption would comply with the preceding paragraph;

(2) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any of the Subsidiary Guarantors or JV Subsidiary Guarantors with the Net Cash Proceeds of, or in exchange for, a substantially concurrent Incurrence of Permitted Refinancing Indebtedness;

(3) the redemption, repurchase or other acquisition of Capital Stock of the Company or any Subsidiary Guarantor or JV Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock) in exchange for, or out of the Net Cash Proceeds of a substantially concurrent capital contribution or a sale (other than to a Subsidiary of the Company) of, shares of the Capital Stock (other than Disqualified Stock) of the Company or any Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock); *provided* that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph, *provided however* that any item that has been excluded pursuant to clause (c)(ii) of the preceding paragraph will not be excluded again as a result of the proviso in this clause (3);

(4) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any of the Subsidiary Guarantors or JV Subsidiary Guarantors in exchange for, or out of the Net Cash Proceeds of, a substantially concurrent capital contribution or sale (other than to a Subsidiary of the Company) of, shares of Capital Stock (other than Disqualified Stock) of the Company or any of the Subsidiary Guarantors or JV Subsidiary Guarantors (or options, warrants or other rights to acquire such Capital Stock); *provided* that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph, *provided however* that any item that has been excluded pursuant to clause (c)(ii) of the preceding paragraph will not be excluded again as a result of the proviso in this clause (4);

(5) any dividend or distribution declared, paid or made by a Restricted Subsidiary payable, on a *pro rata* basis or on a basis more favorable to the Company, to all holders of a class of Capital Stock of such Restricted Subsidiary; *provided* that, with respect to a Restricted Subsidiary of which less than a majority of the Voting Stock is directly or indirectly owned by the Company, such dividend or distribution shall be declared, paid or made on a pro rata basis or on a basis more favorable to the Company, as determined by the ownership of the Voting Stock;

(6) dividends paid to, or the purchase of Capital Stock of any Restricted Subsidiary held by, any Trust Company Investor in respect of any Indebtedness outstanding on the Original Issue Date or permitted to be Incurred under paragraph (2)(p) of the "Limitation on Indebtedness and Preferred Stock" covenant;

(7) (A) payments made to purchase 49% of the outstanding Capital Stock of Wuxi Sunac Greentown Hubin Real Estate Co., Ltd. (無錫融創綠城湖濱置業有限公司) held by Greentown Real Estate Co., Ltd. (綠城房地產集團有限公司) in an aggregate amount not to exceed RMB49.0 million, (B) payments made to purchase 5% of the outstanding Capital Stock of Yixing Sunac Dongjiu Real Estate Co., Ltd. (宜興融創東氿置業有限公司) held by Rongde Asset Management Co., Ltd. (融德資產管理有限公司) in an aggregate amount not to exceed RMB40.0 million, (C) payments made to purchase 28.57% of the outstanding Capital Stock of Wuxi Sunac City Construction Co., Ltd. (無錫融創城市建設有限公司) held by United Trust Co., Ltd. (國聯信託股份有限公司) in an aggregate amount not to exceed RMB200.0 million, (D) payments made to purchase 15% of the outstanding Capital Stock of Chongqing Sunac Yatai Shiye Real Estate Development Co., Ltd. (重慶融創亞太實業有限公司) held by Beijing Guoxin Zhongjin Investment Co., Ltd. (北京國信中金投資有限公司) in an aggregate amount not to exceed RMB42.0 million, (E) payments made to purchase 49.56% of the outstanding Capital Stock of Tianjin Sunac Mingxiang Investment Development Co., Ltd. (天津融創名翔投資發展有限公司) held by Daye Trust Co., Ltd. (大業信託有限責任公司) in an aggregate amount not to exceed RMB705.0 million and (F) payment made to purchase 50.0% of the outstanding Capital Stock of Chongqing Sunac Shengfeng Real Estate Co., Ltd. (重慶融創尚峰置業有限公司) held by Xinhua Trust Holding Limited (新華信託股份有限公司) in an aggregate amount not to exceed RMB600.0 million; *provided* that, in each case, the entity of which the Capital Stock was purchased is a Restricted Subsidiary when such payment is made;

(8) payments made under a Staged Acquisition Agreement to acquire the Capital Stock of a Person *provided* that such Person becomes a Restricted Subsidiary on or before the last date in the period stipulated in such Staged Acquisition Agreement for which the purchase price can be made;

(9) payments made to purchase, redeem, retire or acquire up to (A) 49% of the outstanding Capital Stock of Beijing Sunac Jiaye Real Estate Development Co., Ltd. (北京融創嘉業房地產開發有限公司), (B) 49% of the outstanding Capital Stock of Beijing Sunac Hengyu Real Estate Co., Ltd. (北京融創恒裕地產有限公司), (C) 49% of Beijing Sunac Xingye Real Estate Co., Ltd. (北京融創興業地產有限公司), (D) 10% of the outstanding Capital Stock of Chongqing Sunac Xinyi Real Estate Development Co., Ltd. (重慶融創鑫逸房地產開發有限公司), (E) 10% of the outstanding Capital Stock of Chongqing Sunac Jiyang Real Estate Co., Ltd. (重慶融創基洋置業有限公司), (F) 20% of the outstanding Capital Stock of Chongqing Yejin Real Estate Development Co., Ltd. (重慶業晉房地產開發有限公 司), (G) 49% of the outstanding Capital Stock of Chongqing Sunac Kaixuan Real Estate Co., Ltd. (重慶融創凱旋置業有限公司), (H) 49% of the outstanding Capital Stock of Shanghai Ronglv Qiwei Real Estate Co., Ltd. (上海融綠啟威置業有限公司) and (I) 49% of the outstanding Capital Stock of Shanghai Ronglv Huiyi Real Estate Co., Ltd. (上海融綠匯誼置業有限公司); *provided* that, in each case, the entity of which the Capital Stock was purchased, redeemed, retired or acquired is a Restricted Subsidiary when such payment is made;

(10) any declaration and payment of dividends or other distributions by the Company and/or any repurchase, call for redemption, redemption or acquisition of the Company's Common Stock with respect to any financial year, to the extent that such declaration and payment of dividends by the Company, together with such repurchase, call for redemption, redemption or acquisition of the Company's shares of Common Stock, do not in the aggregate exceed 25% of the consolidated profit for the year of the Company calculated in accordance with GAAP;

(11) the purchase of Capital Stock of a Person, and payments made, pursuant to a Minority Staged Acquisition Agreement if, on the date of such Minority Staged Acquisition Agreement, such purchase or payment would have complied with either the preceding paragraph or clause (18) of the definition of "Permitted Investment";

(12) (x) payments made to purchase, redeem, retire or acquire the Capital Stock of Greentown Parent if the Company shall own, directly or indirectly, no more than 50% of the outstanding Capital Stock of Greentown Parent immediately after such purchase, redemption, retirement or acquisition, or (y) payments made to purchase, redeem, retire or acquire the Capital Stock of Greentown Parent if Greentown Parent shall be a Restricted Subsidiary immediately after such purchase, redemption, retirement or acquisition; or

(13) any purchase, redemption, retirement or acquisition of any shares of Capital Stock of any Restricted Subsidiary in an arm's length transaction, *provided* that any such purchase, redemption, retirement or acquisition shall be deemed to be an arm's length transaction if the consideration paid by the Company or the relevant Restricted Subsidiary, as the case may be, is not more than the Fair Market Value of the shares of Capital Stock so purchased, redeemed, retired or acquired,

*provided that*, in the case of clause (2), (3), (4) or (10) of the preceding paragraph, no Default shall have occurred and be continuing or would occur as a consequence of the actions or payments set forth therein.

Each Restricted Payment permitted pursuant to clause (1), (10) (except with respect to dividends and other distributions for the fiscal year ended December 31, 2012), (11) or (12)(x) of the preceding paragraph shall, without duplication, be included in calculating whether the conditions of clause (c) of the first paragraph of this "Limitation on Restricted Payments" covenant have been met with respect to any subsequent Restricted Payments.

The amount of any Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Company or the Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The value of any assets or securities that are required to be valued by this covenant will be the Fair Market Value. The Board of Directors' determination of the Fair Market Value of a Restricted Payment or any such assets or securities must be based upon an opinion or appraisal issued by an accounting appraisal or investment banking firm of recognized international standing if the Fair Market Value exceeds US$10.0 million (or the Dollar Equivalent thereof).

Not later than the date of making any Restricted Payment in excess of US$10.0 million (or the Dollar Equivalent thereof) (other than any Restricted Payments set forth in clauses (5) through (13) above), the Company will deliver to the Trustee an Officers' Certificate stating that such Restricted Payment is permitted and setting forth the basis upon which the calculations required by this "— Limitation on Restricted Payments" covenant were computed, together with a copy of any fairness opinion or appraisal required by the Indenture.

For purposes of determining compliance with this "— Limitation on Restricted Payments" covenant, in the event that an item of Investment meets the criteria of both (i) the first paragraph of this "— Limitation on Restricted Payments" covenant and (ii) clause (18) of the definition of "Permitted Investment," at any time, the Company, in its sole discretion, shall classify and from time to time may reclassify, such item of Investment in either or both of them.

***Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries***

(1) Except as provided below, the Company will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary to:

    (a) pay dividends or make any other distribution on any Capital Stock of such Restricted Subsidiary owned by the Company or any other Restricted Subsidiary;

    (b) pay any Indebtedness or other obligation owed to the Company or any other Restricted Subsidiary;

    (c) make loans or advances to the Company or any other Restricted Subsidiary; or

    (d) sell, lease or transfer any of its property or assets to the Company or any other Restricted Subsidiary;

    *provided* that for the avoidance of doubt the following shall not be deemed to constitute such an encumbrance or restriction: (i) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on Common Stock; (ii) the subordination of loans or advances made to the Company or any Restricted Subsidiary to other Indebtedness Incurred by the Company or any Restricted Subsidiary; and (iii) the provisions contained in documentation governing Indebtedness requiring transactions between or among the Company and any Restricted Subsidiary or between or among any Restricted Subsidiary to be on fair and reasonable terms or on an arm's length basis.

(2) The provisions of paragraph (1) do not apply to any encumbrances or restrictions:

(a) existing in agreements as in effect on the Original Issue Date, or in the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees, the Indenture, the Security Documents, or under any Permitted Pari Passu Secured Indebtedness of the Company or any Subsidiary Guarantor Pledgor or *Pari Passu* Guarantee, and any extensions, refinancings, renewals or replacements of any of the foregoing agreements; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;

(b) existing under or by reason of applicable law, rule, regulation or order;

(c) existing with respect to any Person or the property or assets of such Person acquired by the Company or any Restricted Subsidiary, at the time of such acquisition and not incurred in contemplation thereof, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Person or the property or assets of such Person so acquired, and any extensions, refinancings, renewals or replacements thereof; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;

(d) that otherwise would be prohibited by the provision described in clause (1)(d) of this covenant if they arise, or are agreed to, in the ordinary course of business and, that (i) restrict in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease or license, or (ii) exist by virtue of any Lien on, or agreement to transfer, option or similar right with respect to any property or assets of the Company or any Restricted Subsidiary not otherwise prohibited by the Indenture or (iii) do not relate to any Indebtedness, and that do not, individually or in the aggregate, detract from the value of property or assets of the Company or any Restricted Subsidiary in any manner material to the Company or any Restricted Subsidiary;

(e) with respect to a Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the sale or disposition of all or substantially all of the Capital Stock of, or property and assets of, such Restricted Subsidiary that is permitted by the "— Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries," "— Limitation on Indebtedness and Preferred Stock" and "— Limitation on Asset Sales" covenants;

(f) with respect to any Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the Incurrence of Indebtedness of the type described under clause (2)(h), (2)(n), (2)(o), (2)(p), (2)(q), (2)(r), (2)(s) or (2)(x) or permitted under clause (2)(v) of the "Limitation on Indebtedness and Preferred Stock" covenant if, as determined by the Board of Directors, the encumbrances or restrictions are (i) customary for such types of agreements and (ii) would not, at the time agreed to, be expected to materially and adversely affect the ability of the Company to make required payment on the Notes and, with respect to Indebtedness of the type described under clause (2)(h), (2)(n), (2)(o), (2)(p), (2)(q), (2)(r), (2)(s), (2)(v) or (2)(x), any extensions, refinancings, renewals or replacements of any of the foregoing agreements; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;

(g) existing in customary provisions in shareholder agreements, joint venture agreements and other similar agreements permitted under the Indenture, to the extent such encumbrance or restriction relates to the activities or assets of a Restricted Subsidiary that is a party to such joint venture (or of Subsidiaries of such Restricted Subsidiaries) and if (as determined in good faith by the Board of Directors) (i) the encumbrances or restrictions are customary for a shareholder, joint venture or similar agreement of that type and (ii) the encumbrances or restrictions would not, at the time agreed to, be expected to materially and adversely affect the ability of the Company to make the required payments on the Notes or the ability of any Subsidiary Guarantor or JV Subsidiary Guarantor to make the required payments on its Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be; or

(h) existing with respect to any Unrestricted Subsidiary or the property or assets of such Unrestricted Subsidiary that is designated as a Restricted Subsidiary in accordance with the terms of the Indenture at the time of such designation and not incurred in contemplation of such designation, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Unrestricted Subsidiary or its subsidiaries or the property or assets of such Unrestricted Subsidiary or its subsidiaries, and any extensions, refinancing, renewals or replacements thereof; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced.

***Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries***

The Company will not sell, and will not permit any Restricted Subsidiary, directly or indirectly, to issue or sell any shares of Capital Stock of a Restricted Subsidiary (including options, warrants or other rights to purchase shares of such Capital Stock) except:

(1) to the Company or a Wholly Owned Restricted Subsidiary, or in the case of a Restricted Subsidiary that is not Wholly Owned, pro rata to its shareholders or incorporators;

(2) to the extent such Capital Stock represents director's qualifying shares or is required by applicable law to be held by a Person other than the Company or a Wholly Owned Restricted Subsidiary;

(3) for the issuance or sale of the Capital Stock of a Restricted Subsidiary if, immediately after giving effect to such issuance or sale, such Restricted Subsidiary would no longer constitute a Restricted Subsidiary and any remaining Investment, if any, in such Person would have been permitted to be made under the "— Limitation on Restricted Payments" covenant if made on the date of such issuance or sale and *provided* that the Company complies with the "— Limitation on Asset Sales" covenant to the extent required thereunder; or

(4) the issuance or sale of Capital Stock of a Restricted Subsidiary (which remains a Restricted Subsidiary after any such issuance or sale); *provided* that the Company or such Restricted Subsidiary applies the Net Cash Proceeds of such issuance or sale in accordance with the "— Limitation on Asset Sales" covenant.

***Limitation on Issuances of Guarantees by Restricted Subsidiaries***

The Company will not permit any Restricted Subsidiary which is neither a Subsidiary Guarantor nor a JV Subsidiary Guarantor, directly or indirectly, to Guarantee any Indebtedness ("Guaranteed Indebtedness") of the Company or a Subsidiary Guarantor or a JV Subsidiary Guarantor, unless (1)(a) such Restricted Subsidiary simultaneously executes and delivers a supplemental indenture to the Indenture providing for an unsubordinated Subsidiary Guarantee (in the case of a Subsidiary Guarantor) or JV Subsidiary Guarantee (in the case of a JV Subsidiary Guarantor) of payment of the Notes by such Restricted Subsidiary and (b) such Restricted Subsidiary waives and will not in any manner whatsoever claim or take the benefit or advantage of, any rights of reimbursement, indemnity or subrogation or any other rights against the Company or any other Restricted Subsidiary as a result of any payment by such Restricted Subsidiary under its Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, until the Notes have been paid in full or (2) such Guarantee is permitted by clauses (2)(c), (2)(d) or (2)(q) (in the case of clause (2)(q), with respect to the Guarantee provided by the Company or any Restricted Subsidiary through the granting of Liens over one or more bank accounts, bank deposits or other assets to secure (or the use of any Guarantee or letter of credit or similar instrument to Guarantee) any Bank Deposit Secured Indebtedness), under the caption "— Limitation on Indebtedness and Preferred Stock."

If the Guaranteed Indebtedness (1) ranks *pari passu* in right of payment with the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee, then the Guarantee of such Guaranteed Indebtedness shall rank *pari passu* in right of payment with, or subordinated to, the Subsidiary Guarantee or the JV Subsidiary Guarantee, as the case may be, or (2) is subordinated in right of payment to the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee, then the Guarantee of such Guaranteed Indebtedness shall be subordinated in right of payment to the Subsidiary Guarantee or the JV Subsidiary Guarantee, as the case may be, at least to the extent that the Guaranteed Indebtedness is subordinated to the Notes, the Subsidiary Guarantee or the JV Subsidiary Guarantee.

The Company will not permit any JV Subsidiary Guarantor, directly or indirectly, to Guarantee any Indebtedness of the Company or any other Restricted Subsidiary unless the aggregate claims of the creditor under such Guarantee will be limited to the JV Entitlement Amount, which will be conclusively evidenced by an Officers' Certificate from the Company certifying to that effect. The Trustee is fully protected in relying on such Officers' Certificate with respect to such Guarantee given by the relevant JV Subsidiary Guarantor. If any JV Subsidiary Guarantor Guarantees any Indebtedness of the Company or any other Restricted Subsidiary where the aggregate claims of the creditor under such Guarantee exceeds the JV Entitlement Amount, such JV Subsidiary Guarantee shall be replaced with a Subsidiary Guarantee given by a Subsidiary Guarantor.

***Limitation on Transactions with Shareholders and Affiliates***

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into, renew or extend any transaction or arrangement (including, without limitation, the purchase, sale, lease or exchange of property or assets, or the rendering of any service) with (x) any holder (or any Affiliate of such holder) of 10.0% or more of any class of Capital Stock of the Company or (y) any Affiliate of the Company (each an "Affiliate Transaction"), unless:

(1) the Affiliate Transaction is on fair and reasonable terms that are no less favorable to the Company or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Company or the relevant Restricted Subsidiary with a Person that is not an Affiliate of the Company; and

(2) the Company delivers to the Trustee:

    (a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US$5.0 million (or the Dollar Equivalent thereof), a Board Resolution set forth in an Officers' Certificate certifying that such Affiliate Transaction complies with this covenant and such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors; and

(b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US$10.0 million (or the Dollar Equivalent thereof), in addition to the Board Resolution required in clause 2(a) above, an opinion as to the fairness to the Company or the relevant Restricted Subsidiary of such Affiliate Transaction from a financial point of view issued by an accounting, appraisal or investment banking firm of recognized international standing.

The foregoing limitation does not limit, and shall not apply to:

(1) the payment of reasonable and customary regular fees or other reasonable and customary compensation to directors of the Company or any Restricted Subsidiary who are not employees of the Company or the Restricted Subsidiary;

(2) transactions between or among the Company and any of its Wholly Owned Restricted Subsidiaries or between or among Wholly Owned Restricted Subsidiaries;

(3) any Restricted Payment of the type described in clauses (1) or (2) of the first paragraph of the covenant described above under the caption "— Limitation on Restricted Payments" if permitted by that covenant;

(4) any sale of Capital Stock (other than Disqualified Stock) of the Company;

(5) the payment of compensation to officers and directors of the Company or any Restricted Subsidiary pursuant to an employee stock or share option or other incentive scheme, so long as such scheme is in compliance with the listing rules of The Stock Exchange of Hong Kong Limited, which as of the Original Issue Date require a majority shareholder approval of any such scheme;

(6) loans or advances to employees, officers or directors in the ordinary course of business not to exceed US$5.0 million in the aggregate at any one time outstanding;

(7) any sale of apartment units by the Company or a Restricted Subsidiary in the ordinary course of business to employees, officers, directors or their respective family members at a discount from the listed price not greater than that applicable generally to all employees of the Company and its Subsidiaries with respect to those apartment units; provided that (x) revenues from all such sales in any fiscal year shall not exceed 2.0% of the revenues for that year as shown in the consolidated financial statements of the Company for that period in accordance with GAAP, and (y) any such discount shall not be in excess of 15.0% to the Fair Market Value of the relevant apartment unit;

(8) any transaction between (A) the Company or any Restricted Subsidiary and (B) any entity in a Spin-off Group entered into in connection with a proposed restructuring in preparation for a Qualified IPO, including but not limited to transactions entered into for purposes of any reorganization in connection with such proposed restructuring and Qualified IPO and the entry into, and the performance thereof, of any underwriting agreement or other transaction documents in connection with such proposed restructuring and Qualified IPO; and

(9) any transaction between (A) the Company or any Restricted Subsidiary and (B) any entity in a Spin-off Group entered into in the ordinary course of business, on fair and reasonable terms and disclosed in the offering document issued in connection with a proposed Qualified IPO, or any amendment or modification or extension or replacement thereof, so long as such amendment, modification or replacement is not more disadvantageous to the Company and its Restricted Subsidiaries than the original transaction described in the offering document issued in connection with such proposed Qualified IPO and in compliance with the rules of The Stock Exchange of Hong Kong Limited or any other recognized exchange on which the Company's ordinary shares are then listed for trading.

In addition, the requirements of clause (2) of the first paragraph of this covenant shall not apply to (i) Investments (other than Permitted Investments) not prohibited by the "Limitation on Restricted Payments" covenant and Investments made under clause (18) or (20) of the definition of "Permitted Investment", (ii) transactions pursuant to agreements in effect on the Original Issue Date and described in this offering memorandum, or any amendment or modification or replacement thereof, so long as such amendment, modification or replacement is not more disadvantageous to the Company and its Restricted Subsidiaries than the original agreement in effect on the Original Issue Date, (iii) any transaction between or among any of the Company or a Wholly Owned Restricted Subsidiary and any Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary or between or among Restricted Subsidiaries that are not Wholly Owned Restricted Subsidiaries or between or among the Company or a Restricted Subsidiary on the one hand and a Jointly Controlled Entity, a Minority Joint Venture or an Unrestricted Subsidiary on the other hand; provided that in the case of clause (iii) (a) such transaction is entered into in the ordinary course of business, (b) in the case of a transaction with a Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary, none of the minority shareholders or minority partners of or in such Restricted Subsidiary that owns 5.0% or more of the outstanding Capital Stock of such Restricted Subsidiary is a Person described in clauses (x) or (y) of the first paragraph of this covenant (other than by reason of such minority shareholder or minority partner being an officer or director of such Restricted Subsidiary or being a Subsidiary of the Company), or (c) in the case of a transaction with a Jointly Controlled Entity, a Minority Joint Venture or an Unrestricted Subsidiary, none of the shareholders or partners (other than the Company or a Restricted Subsidiary) that owns 15.0% or more of the outstanding Capital Stock of such Jointly Controlled Entity, Minority Joint Venture or Unrestricted Subsidiary is a Person described in clauses (x) or (y) of the first paragraph of this covenant (other than by reason of such shareholder or partner being a director or officer of such Jointly Controlled Entity, Minority Joint Venture or Unrestricted Subsidiary or by reason of such shareholder or partner being a Subsidiary, Jointly Controlled Entity or Minority Joint Venture of the Company) and (iv) at any time that Greentown Parent is either a Minority Joint Venture or a Restricted Subsidiary of the Company, any transaction between or among any of the Company and the Restricted Subsidiaries, on the one hand, and any Qualifying Related Entity that is an HKSE Compliant Transaction, on the other hand.

***Limitation on Liens***

Prior to the Release Date, the Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly:

(1) incur, assume or permit to exist any Lien on the Collateral (other than Permitted Liens); or

(2) incur, assume or permit to exist any Lien of any nature whatsoever on any of its assets or properties of any kind (other than the Collateral), whether owned at the Original Issue Date or thereafter acquired, except Permitted Liens, unless the Notes are equally and ratably secured by such Lien.

Upon the occurrence of the release of the Collateral on the Release Date and thereafter, the Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly:

(1) incur, assume or permit to exist any Lien on the Capital Stock of a Subsidiary Guarantor or a JV Subsidiary Guarantor (other than a Permitted Lien specified in clause (1) of "Permitted Liens"), unless the Notes are equally and ratably secured by such Lien; or

(2) incur, assume or permit to exist any Lien of any nature whatsoever on any of its assets or properties of any kind (other than the Capital Stock described in clause (1) above), whether owned at the Original Issue Date or thereafter acquired, except Permitted Liens, unless the Notes are equally and ratably secured by such Lien.

***Limitation on Sale and Leaseback Transactions***

The Company will not, and will not permit any of its Restricted Subsidiaries to, enter into any Sale and Leaseback Transaction; provided that the Company or any Restricted Subsidiary may enter into a Sale and Leaseback Transaction if:

(1) the Company or any Restricted Subsidiary could have (a) Incurred Indebtedness in an amount equal to the Attributable Indebtedness relating to such Sale and Leaseback Transaction under the covenant described above under "— Limitation on Indebtedness and Preferred Stock" and (b) incurred a Lien to secure such Indebtedness pursuant to the covenant described above under the caption "— Limitation on Liens," in which case, the corresponding Indebtedness and Lien will be deemed incurred pursuant to those provisions;

(2) the gross cash proceeds of that Sale and Leaseback Transaction are at least equal to the Fair Market Value of the property that is the subject of such Sale and Leaseback Transaction; and

(3) the transfer of assets in that Sale and Leaseback Transaction is permitted by, and the Company or such Restricted Subsidiary applies the proceeds of such transaction in compliance with, the covenant described below under the caption "— Limitation on Asset Sales."

***Limitation on Asset Sales***

The Company will not, and will not permit any Restricted Subsidiary to, consummate any Asset Sale, unless:

(1) no Default shall have occurred and be continuing or would occur as a result of such Asset Sale;

(2) the consideration received by the Company or such Restricted Subsidiary, as the case may be, is at least equal to the Fair Market Value of the assets sold or disposed of; and

(3) at least 75% of the consideration received consists of cash, Temporary Cash Investments or Replacement Assets; *provided* that in the case of an Asset Sale in which the Company or such Restricted Subsidiary receives Replacement Assets involving aggregate consideration in excess of US$50.0 million (or the Dollar Equivalent thereof), the Company shall deliver to the Trustee an opinion as to the fairness to the Company or such Restricted Subsidiary of such Asset Sale from a financial point of view issued by an accounting, appraisal or investment banking firm of international standing. For purposes of this provision, each of the following will be deemed to be cash:

    (a) any liabilities, as shown on the Company's most recent consolidated balance sheet, of the Company or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee) that are assumed by the transferee of any such assets pursuant to a customary assumption, assignment, novation or similar agreement that releases the Company or such Restricted Subsidiary from further liability; and

    (b) any securities, notes or other obligations received by the Company or any Restricted Subsidiary from such transferee that are promptly, but in any event within 30 days of closing, converted by the Company or such Restricted Subsidiary into cash, to the extent of the cash received in that conversion.

Within 360 days after the receipt of any Net Cash Proceeds from an Asset Sale, the Company (or any Restricted Subsidiary, as the case may be) may apply such Net Cash Proceeds to:

(1) permanently repay Senior Indebtedness of the Company or a Subsidiary Guarantor or any Indebtedness of a Restricted Subsidiary that is not a Subsidiary Guarantor (and, if such Senior Indebtedness repaid is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto) in each case owing to a Person other than the Company or a Restricted Subsidiary; or

(2) acquire properties and assets that replace the properties and assets that were the subject of such Asset Sale or Replacement Assets.

Any Net Cash Proceeds from Asset Sales that are not applied or invested as provided in clauses (1) and (2) in the immediately preceding paragraph will constitute "Excess Proceeds." Excess Proceeds of less than US$10.0 million (or the Dollar Equivalent thereof) will be carried forward and accumulated. When accumulated Excess Proceeds exceed US$10.0 million (or the Dollar Equivalent thereof), within 10 days thereof, the Company must make an Offer to Purchase Notes having a principal amount equal to:

(1) accumulated Excess Proceeds, multiplied by

(2) a fraction (x) the numerator of which is equal to the outstanding principal amount of the Notes and (y) the denominator of which is equal to the outstanding principal amount of the Notes and all *pari passu* Indebtedness similarly required to be repaid, redeemed or tendered for in connection with the Asset Sale, rounded down to the nearest US$1,000.

The offer price in any Offer to Purchase will be equal to 100% of the principal amount plus accrued and unpaid interest to the date of purchase, and will be payable in cash.

If any Excess Proceeds remain after consummation of an Offer to Purchase, the Company may use those Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes (and any other *pari passu* Indebtedness) tendered in such Offer to Purchase exceeds the amount of Excess Proceeds, the Trustee will select the Notes (and such other *pari passu* Indebtedness) to be purchased on a pro rata basis. Upon completion of each Offer to Purchase, the amount of Excess Proceeds will be reset at zero.

***Use of Proceeds***

The Company will not, and will not permit any Restricted Subsidiary to, use the net proceeds from the sale of the Notes, in any amount, for any purpose other than (1) in the approximate amounts and for the purposes specified, including any adjustment in response to changing market conditions as contemplated, under the caption "Use of Proceeds" in the offering memorandum relating to the Existing 2025 Notes or this offering memorandum, as applicable (or in the case of Additional Notes (other than the New 2025 Notes), the offering memorandum relating to the sale of such Additional Notes, if any) and (2) pending the application of all of such net proceeds in such manner, to invest the portion of such net proceeds not yet so applied in Temporary Cash Investments.

***Designation of Restricted and Unrestricted Subsidiaries***

On the date of this offering memorandum, each of the Existing Unrestricted Subsidiaries shall be an Unrestricted Subsidiary. Any future Subsidiary of any Existing Unrestricted Subsidiary shall also be an Unrestricted Subsidiary.

The Board of Directors may designate any Restricted Subsidiary (other than any Greentown Company) to be an Unrestricted Subsidiary; provided that (1) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (2) neither the Company nor any Restricted Subsidiary provides credit support for the Indebtedness of such Restricted Subsidiary (other than any Guarantee in compliance with clause (6) below); (3) such Restricted Subsidiary has no outstanding Indebtedness that could trigger a cross-default to the Indebtedness of the Company; (4) such Restricted Subsidiary does not own any Disqualified Stock of the Company or Disqualified or Preferred Stock of another Restricted Subsidiary or hold any Indebtedness of, or any Lien on any property of, the

Company or any Restricted Subsidiary, if such Disqualified or Preferred Stock or Indebtedness could not be Incurred under the covenant described under the caption "— Limitation on Indebtedness and Preferred Stock" or such Lien would violate the covenant described under the caption "— Limitation on Liens"; (5) such Restricted Subsidiary does not own any Voting Stock of another Restricted Subsidiary, and all of its Subsidiaries are Unrestricted Subsidiaries or are being concurrently designated to be Unrestricted Subsidiaries in accordance with this paragraph; and (6) the Investment deemed to have been made thereby in such newly-designated Unrestricted Subsidiary and each other newly-designated Unrestricted Subsidiary being concurrently redesignated would be permitted to be made by the covenant described under "— Limitation on Restricted Payments."

The Board of Directors may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; provided that (1) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (2) any Indebtedness of such Unrestricted Subsidiary outstanding at the time of such designation which will be deemed to have been Incurred by such newly-designated Restricted Subsidiary as a result of such designation would be permitted to be Incurred by the covenant described under the caption "— Limitation on Indebtedness and Preferred Stock"; (3) any Lien on the property of such Unrestricted Subsidiary at the time of such designation which will be deemed to have been incurred by such newly-designated Restricted Subsidiary as a result of such designation would be permitted to be incurred by the covenant described under the caption "— Limitation on Liens"; (4) such Unrestricted Subsidiary is not a Subsidiary of another Unrestricted Subsidiary (that is not concurrently being designated as a Restricted Subsidiary); (5) if such Restricted Subsidiary is not organized under the laws of the PRC, such Restricted Subsidiary shall upon such designation execute and deliver to the Trustee a supplemental indenture to the Indenture by which such Restricted Subsidiary shall become a Subsidiary Guarantor or a JV Subsidiary Guarantor to the extent required under "— The Subsidiary Guarantees"; and (6) with respect to any such designation prior to the Release Date, if such Restricted Subsidiary is not organized under the laws of the PRC or a Subsidiary of a JV Subsidiary Guarantor, all Capital Stock of such Restricted Subsidiary owned by the Company or any other Restricted Subsidiary shall be pledged to the extent required under "— Security."

Any such designation by the Board of Directors shall be notified by the Company to the Trustee by promptly filing with the Trustee a copy of the Board Resolution giving effect to such designation and an Officers' Certificate certifying that such designation complied with the foregoing provisions.

***Government Approvals and Licenses; Compliance with Law***

The Company will, and will cause each Restricted Subsidiary to, (1) obtain and maintain in full force and effect all governmental approvals, authorizations, consents, permits, concessions and licenses as are necessary to engage in the businesses of the Company or any Restricted Subsidiary; (2) preserve and maintain good and valid title to its properties and assets (including land-use rights) free and clear of any Liens other than Permitted Liens; and (3) comply with all laws, regulations, orders, judgments and decrees of any governmental body, except to the extent that failure so to obtain, maintain, preserve and comply would not reasonably be expected to have a material adverse effect on (a) the business, results of operations or prospects of the Company and its Restricted Subsidiaries, taken as a whole, or (b) the ability of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor to perform its obligations under the Notes, the relevant Subsidiary Guarantee, the relevant JV Subsidiary Guarantee or the Indenture.

***Anti-Layering***

The Company will not Incur, and will not permit any Subsidiary Guarantor or JV Subsidiary Guarantor to Incur, any Indebtedness if such Indebtedness is contractually subordinated in right of payment to any other Indebtedness of the Company, such Subsidiary Guarantor or such JV Subsidiary Guarantor, as the case may be, unless such Indebtedness is also contractually subordinated in right of payment to the Notes, the applicable Subsidiary Guarantee or the applicable JV Subsidiary Guarantee, on substantially identical terms. This does not apply to distinctions between categories of Indebtedness that exist by reason of any Liens or Guarantees securing or in favor of some but not all of such Indebtedness.

***Suspension of Certain Covenants***

If, on any date following the date of the Indenture, the Notes have a rating of an Investment Grade from two of the three Rating Agencies and no Default has occurred and is continuing (a "Suspension Event"), then, beginning on that day and continuing until such time, if any, at which the Notes cease to have a rating of Investment Grade from either of the Rating Agencies, the provisions of the Indenture summarized under the following captions will be suspended:

(1) "— Certain Covenants — Limitation on Indebtedness and Preferred Stock";

(2) "— Certain Covenants — Limitation on Restricted Payments";

(3) "— Certain Covenants — Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries";

(4) "— Certain Covenants — Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries";

(5) "— Certain Covenants — Limitation on Issuances of Guarantees by Restricted Subsidiaries";

(6) "— Certain Covenants — Limitation on Sale and Leaseback Transactions"; and

(7) "— Certain Covenants — Limitation on Asset Sales."

During any period that the foregoing covenants have been suspended, the Board of Directors may not designate any of the Restricted Subsidiaries as Unrestricted Subsidiaries pursuant to the covenant summarized under the caption "— Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries" or the definition of "Unrestricted Subsidiary."

Such covenants will be reinstituted and apply according to their terms as of and from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Company or any Restricted Subsidiary properly taken in compliance with the provisions of the Indenture during the continuance of the Suspension Event, and following reinstatement the calculations under the covenant summarized under "— Certain Covenants — Limitation on Restricted Payments" will be made as if such covenant had been in effect since the date of the Indenture except that no Default will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended. There can be no assurance that the Notes will ever achieve a rating of Investment Grade or that any such rating will be maintained.

***Provision of Financial Statements and Reports***

(1) So long as any of the Notes remain outstanding, the Company will file with the Trustee and furnish to the Holders upon request, as soon as they are available but in any event not more than 10 calendar days after they are filed with The Stock Exchange of Hong Kong Limited or any other recognized exchange on which the Company's common shares are at any time listed for trading, true and correct copies of any financial or other report in the English language filed with such exchange; *provided* that if at any time the Common Stock of the Company ceases to be listed for trading on a recognized stock exchange, the Company will file with the Trustee and furnish to the Holders:

    (a) as soon as they are available, but in any event within 90 calendar days after the end of the fiscal year of the Company, copies of its financial statements (on a consolidated basis) in respect of such financial year (including a statement of income, balance sheet and cash flow statement) audited by a member firm of an internationally-recognized firm of independent accountants;

(b) as soon as they are available, but in any event within 45 calendar days after the end of the second financial quarter of the Company, copies of its financial statements (on a consolidated basis) in respect of such half-year period (including a statement of income, balance sheet and cash flow statement) reviewed by a member firm of an internationally-recognized firm of independent accountants; and

(c) as soon as they are available, but in any event within 45 calendar days after the end of each of the first and third financial quarter of the Company, copies of its unaudited financial statements (on a consolidated basis), including a statement of income, balance sheet and cash flow statement, prepared on a basis consistent with the audited financial statements of the Company together with a certificate signed by the person then authorized to sign financial statements on behalf of the Company to the effect that such financial statements are true in all material respects and present fairly the financial position of the Company as at the end of, and the results of its operations for, the relevant quarterly period.

(2) In addition, for so long as any of the Notes remain outstanding, the Company will provide to the Trustee (a) within 120 days after the close of each fiscal year ending after the Original Issue Date, an Officers' Certificate stating the Fixed Charge Coverage Ratio with respect to the two most recent fiscal semiannual periods and showing in reasonable detail the calculation of the Fixed Charge Coverage Ratio, including the arithmetic computations of each component of the Fixed Charge Coverage Ratio, with a certificate from the Company's external auditors verifying the accuracy and correctness of the calculation and arithmetic computation; *provided* that the Company shall not be required to provide such auditor certification if its external auditors refuse to provide such certification as a result of a policy of such external auditors not to provide such certification; and (b) as soon as possible and in any event within 30 days after the Company becomes aware or should reasonably become aware of the occurrence of a Default, an Officers' Certificate setting forth the details of the Default, and the action which the Company proposes to take with respect thereto.

***Events of Default***

The following events are defined as "Events of Default" in the Indenture:

(1) default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise;

(2) default in the payment of interest or Additional Amounts on any Note when the same becomes due and payable, and such default continues for a period of 30 consecutive days;

(3) default in the performance or breach of the provisions of the covenant described under "— Consolidation, Merger and Sale of Assets," the failure by the Company to make or consummate an Offer to Purchase in the manner described under the captions "— Repurchase of Notes upon a Change of Control Triggering Event" or "— Limitation on Asset Sales," or the failure by the Company to create, or cause its Restricted Subsidiaries to create, a Lien on the Collateral (subject to any Permitted Liens and the Intercreditor Agreement) in accordance with the covenant described under the caption "— Security";

(4) the Company or any Restricted Subsidiary defaults in the performance of or breaches any other covenant or agreement in the Indenture or under the Notes (other than a default specified in clause (1), (2) or (3) above) and such default or breach continues for a period of 30 consecutive days after written notice by the Trustee or the Holders of 25% or more in aggregate principal amount of the Notes;

(5) there occurs with respect to any Indebtedness of the Company or any Restricted Subsidiary having an outstanding principal amount of US$20.0 million (or the Dollar Equivalent thereof) or more in the aggregate for all such Indebtedness of all such Persons, whether such Indebtedness now exists or shall hereafter be created, (a) an event of default that has caused the holder thereof to declare such Indebtedness to be due and payable prior to its Stated Maturity and/or (b) the failure to make a principal payment when due;

(6) one or more final judgments or orders for the payment of money are rendered against the Company or any of its Restricted Subsidiaries and are not paid or discharged, and there is a period of 60 consecutive days following entry of the final judgment or order that causes the aggregate amount for all such final judgments or orders outstanding and not paid or discharged against all such Persons to exceed US$20.0 million (or the Dollar Equivalent thereof) (in excess of amounts which the Company's insurance carriers have agreed to pay under applicable policies) during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect;

(7) an involuntary case or other proceeding is commenced against the Company or any Significant Restricted Subsidiary (or any group of Restricted Subsidiaries that together would constitute a Significant Restricted Subsidiary) with respect to it or its debts under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect seeking the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Significant Restricted Subsidiary (or any group of Restricted Subsidiaries that together would constitute a Significant Restricted Subsidiary) or for any substantial part of the property and assets of the Company or any Significant Restricted Subsidiary (or any group of Restricted Subsidiaries that together would constitute a Significant Restricted Subsidiary) and such involuntary case or other proceeding remains undismissed and unstayed for a period of 60 consecutive days; or an order for relief is entered against the Company or any Significant Restricted Subsidiary (or any group of Restricted Subsidiaries that together would constitute a Significant Restricted Subsidiary) under any applicable bankruptcy, insolvency or other similar law as now or hereafter in effect;

(8) the Company or any Significant Restricted Subsidiary (or any group of Restricted Subsidiaries that together would constitute a Significant Restricted Subsidiary) (a) commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (b) consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Significant Restricted Subsidiary (or any group of Restricted Subsidiaries that together would constitute a Significant Restricted Subsidiary) or for all or substantially all of the property and assets of the Company or any Significant Restricted Subsidiary (or any group of Restricted Subsidiaries that together would constitute a Significant Restricted Subsidiary) or (c) effects any general assignment for the benefit of creditors (other than, in each case under (b), any of the foregoing that arises from any solvent liquidation or restructuring of a Significant Restricted Subsidiary (or any group of Restricted Subsidiaries that together would constitute a Significant Restricted Subsidiary) in the ordinary course of business that shall result in the net assets of such Significant Restricted Subsidiary (or any group of Restricted Subsidiaries that together would constitute a Significant Restricted Subsidiary) being transferred to or otherwise vested in the Company or any Restricted Subsidiary on a pro rata basis or on a basis more favorable to the Company);

(9) any Subsidiary Guarantor or any JV Subsidiary Guarantor denies or disaffirms its obligations under its Subsidiary Guarantee or JV Subsidiary Guarantee or, except as permitted by the Indenture, any Subsidiary Guarantee or any JV Subsidiary Guarantee is determined to be unenforceable or invalid or shall for any reason cease to be in full force and effect;

(10) any default by the Company or any Subsidiary Guarantor Pledgor in the performance of any of its obligations under the Security Documents, which adversely affects the enforceability, validity, perfection or priority of the applicable Lien on the Collateral or which adversely affects the condition or value of the Collateral, taken as a whole, in any material respect; or

(11) the Company or any Subsidiary Guarantor Pledgor denies or disaffirms its obligations under any Security Document or, other than in accordance with the Indenture and the Security Documents, any Security Document ceases to be or is not in full force and effect or the Trustee ceases to have a security interest in the Collateral (subject to any Permitted Liens and the Intercreditor Agreement).

If an Event of Default (other than an Event of Default specified in clause (7) or (8) above) occurs and is continuing under the Indenture, the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding, by written notice to the Company (and to the Trustee if such notice is given by the Holders), may, and the Trustee at the request of such Holders shall, declare the principal of, premium, if any, and accrued and unpaid interest on the Notes to be immediately due and payable. Upon a declaration of acceleration, such principal of, premium, if any, and accrued and unpaid interest shall be immediately due and payable. If an Event of Default specified in clause (7) or (8) above occurs with respect to the Company or any Significant Restricted Subsidiary (or any group of Restricted Subsidiaries that together would constitute a Significant Restricted Subsidiary), the principal of, premium, if any, and accrued and unpaid interest on the Notes then outstanding shall automatically become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

The Holders of at least a majority in aggregate principal amount of the outstanding Notes by written notice to the Company and to the Trustee may on behalf of the Holders waive all past defaults and rescind and annul a declaration of acceleration and its consequences if:

(1) all existing Events of Default, other than the nonpayment of the principal of, premium, if any, and interest on the Notes that have become due solely by such declaration of acceleration, have been cured or waived, and

(2) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Upon such waiver, the Default will cease to exist, and any Event of Default arising therefrom will be deemed to have been cured, but no such waiver will extend to any subsequent or other Default or impair any right consequent thereon.

If an Event of Default occurs and is continuing, the Trustee may pursue, in its own name or as trustee of an express trust, any available remedy by proceeding at law or in equity to collect the payment of principal of and interest on the Notes or, subject to the Intercreditor Agreement, to enforce the performance of any provision of the Notes, the Indenture or the Security Documents. The Trustee or the Collateral Agent may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding. In addition, if an Event of Default occurs and is continuing, the Trustee may, and shall upon written direction of the Holders of at least 25% in aggregate principal amount of outstanding Notes, instruct the Collateral Agent to foreclose on the Collateral in accordance with the terms of the Security Documents and the Indenture and take such further action on behalf of the Holders with respect to the Collateral as the Trustee deems appropriate. See "— Security."

Subject to the Intercreditor Agreement, the Holders of at least a majority in aggregate principal amount of the outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or the Collateral Agent or exercising any trust or power conferred on the Trustee. However, the Trustee or the Collateral Agent may refuse to follow any direction that conflicts with law or the Indenture, that may involve the Trustee or the Collateral Agent in personal liability, or that the Trustee or the Collateral Agent determines in good faith may be unduly prejudicial to the rights of Holders not joining in the giving of such direction and may take any other action it deems proper that is not inconsistent with any such direction received from Holders.

A Holder may not institute any proceeding, judicial or otherwise, with respect to the Indenture or the Notes, or for the appointment of a receiver or trustee, or for any other remedy under the Indenture or the Notes, unless:

(1) the Holder has previously given the Trustee written notice of a continuing Event of Default;

(2) the Holders of at least 25% in aggregate principal amount of outstanding Notes make a written request to the Trustee to pursue the remedy;

(3) such Holder or Holders offer the Trustee indemnity reasonably satisfactory to the Trustee against any costs, liability or expense to be incurred in compliance with such request;

(4) the Trustee does not comply with the request within 60 days after receipt of the request and the offer of indemnity; and

(5) during such 60-day period, the Holders of a majority in aggregate principal amount of the outstanding Notes do not give the Trustee a direction that is inconsistent with the request.

However, such limitations do not apply to the right of any Holder to receive payment of the principal of, premium, if any, or interest on, such Note, or to bring suit for the enforcement of any such payment, on or after the due date expressed in the Notes, which right shall not be impaired or affected without the consent of the Holder.

Officers of the Company must certify, on or before a date not more than 120 days after the end of each fiscal year ending after the Original Issue Date, that a review has been conducted of the activities of the Company and its Restricted Subsidiaries and the Company's and its Subsidiary Guarantors' performance under the Indenture and that the Company has fulfilled all obligations thereunder, or, if there has been a default in the fulfillment of any such obligation, specifying each such default and the nature and status thereof. The Company will also be obligated to notify the Trustee of any default or defaults in the performance of any covenants or agreements under the Indenture. See "— Provision of Financial Statements and Reports."

**Consolidation, Merger and Sale of Assets**

The Company will not consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries' properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions), unless:

(1) the Company shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or that acquired or leased such property and assets (the "Surviving Person") shall be a corporation organized and validly existing under the laws of the Cayman Islands, Hong Kong or the British Virgin Islands and shall expressly assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of the Company under the Indenture, the Notes and the Security Documents, as the case may be, including the obligation to pay Additional Amounts with respect to any jurisdiction in which it is organized or resident for tax purposes or through which it makes payments, and the Indenture, the Notes and the Security Documents, as the case may be, shall remain in full force and effect;

(2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;

(3) immediately after giving effect to such transaction on a pro forma basis, the Company or the Surviving Person, as the case may be, shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;

(4) immediately after giving effect to such transaction on a pro forma basis the Company or the Surviving Person, as the case may be, could Incur at least US$1.00 of Indebtedness under the first paragraph of the covenant under the caption "— Limitation on Indebtedness and Preferred Stock";

(5) the Company delivers to the Trustee (x) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4)) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with;

(6) each Subsidiary Guarantor and JV Subsidiary Guarantor, unless such Subsidiary Guarantor or JV Subsidiary Guarantor is the Person with which the Company has entered into a transaction described under the caption "— Consolidation, Merger and Sale of Assets," shall execute and deliver a supplemental indenture to the Indenture confirming that its Subsidiary Guarantee or JV Subsidiary Guarantee, as applicable, shall apply to the obligations of the Company or the Surviving Person in accordance with the Notes and the Indenture; and

(7) no Rating Decline shall have occurred.

No Subsidiary Guarantor or JV Subsidiary Guarantor will consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries' properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions) to another Person (other than the Company or another Subsidiary Guarantor or, in the case of a JV Subsidiary Guarantor, other than to another JV Subsidiary Guarantor, the Company or a Subsidiary Guarantor), unless:

(1) such Subsidiary Guarantor or JV Subsidiary Guarantor shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or that acquired or leased such property and assets shall be the Company, another Subsidiary Guarantor or shall become a Subsidiary Guarantor concurrently with the transaction (or, in the case of a JV Subsidiary Guarantor, another JV Subsidiary Guarantor, the Company or a Subsidiary Guarantor); and shall expressly assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of such Subsidiary Guarantor or JV Subsidiary Guarantor under the Indenture, the Notes and the Security Documents, as the case may be, including the obligation to pay Additional Amounts with respect to any jurisdiction in which it is organized or resident for tax purposes or through which it makes payments, and the Indenture, the Notes and the Security Documents, as the case may be, shall remain in full force and effect;

(2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;

(3) immediately after giving effect to such transaction on a pro forma basis, the Company shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;

(4) immediately after giving effect to such transaction on a pro forma basis, the Company could Incur at least US$1.00 of Indebtedness under the first paragraph of the covenant under the caption "— Limitation on Indebtedness and Preferred Stock";

(5) the Company delivers to the Trustee (x) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4)) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with; and

(6) no Rating Decline shall have occurred;

*provided* that this paragraph shall not apply to any sale, conveyance, transfer, lease or other disposition that complies with the "— Limitation on Asset Sales" covenant or any Subsidiary Guarantor or JV Subsidiary Guarantor whose Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, is unconditionally released in accordance with the provisions described under "— The Subsidiary Guarantees — Release of the Subsidiary Guarantees and JV Subsidiary Guarantees."

For the avoidance of doubt, the preceding two paragraphs shall not apply to any sale, conveyance, transfer, lease or other disposition by any Non-Guarantor Subsidiary to any Restricted Subsidiary (or any Person which, upon the completion of such sale, conveyance, transfer, lease or disposition, will become a Restricted Subsidiary).

Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a Person.

The foregoing requirements shall not apply to a consolidation or merger of any Subsidiary Guarantor or JV Subsidiary Guarantor with and into the Company or any other Subsidiary Guarantor or JV Subsidiary Guarantor, so long as the Company or such Subsidiary Guarantor or JV Subsidiary Guarantor survives such consolidation or merger.

The foregoing provisions would not necessarily afford Holders protection in the event of highly-leveraged or other transactions involving the Company that may adversely affect Holders.

**No Payments for Consents**

The Company will not, and shall not permit any of its Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes unless such consideration is offered to be paid or is paid to all Holders that consent, waive or agree to amend such term or provision within the time period set forth in the solicitation documents relating to such consent, waiver or amendment.

**Defeasance**

***Defeasance and Discharge***

The Indenture provides that the Company will be deemed to have paid and will be discharged from any and all obligations in respect of the Notes on the 183rd day after the deposit referred to below, and the provisions of the Indenture and the Security Documents will no longer be in effect with respect to the Notes (except for, among other matters, certain obligations to register the transfer or exchange of the Notes, to replace stolen, lost or mutilated Notes, to maintain paying agencies, to pay Additional Amounts and to hold monies for payment in trust and certain rights, powers, trusts, duties and immunities of the Trustee, and the Company's obligations in connection therewith) if, among other things:

(1) the Company (a) has deposited with the Trustee (or its agent), in trust, money and/or U.S. Government Obligations that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity for such payments in accordance with the terms of the Indenture and the Notes and (b) delivers to the Trustee an Opinion of Counsel or a certificate of an internationally-recognized firm of independent accountants to the effect that the amount deposited by the Company is sufficient to provide payment for the principal of, premium, if any, and accrued interest on, the Notes on the Stated Maturity for such payment in accordance with the terms of the Indenture;

(2) the Company has delivered to the Trustee an Opinion of Counsel of recognized international standing to the effect that the creation of the defeasance trust does not violate the U.S. Investment Company Act of 1940, as amended, and after the passage of 123 days following the deposit, the trust fund will not be subject to the effect of Section 547 of the United States Bankruptcy Code or Section 15 of the New York Debtor and Creditor Law; and

(3) immediately after giving effect to such deposit on a pro forma basis, no Event of Default, or event that after the giving of notice or lapse of time or both would become an Event of Default, shall have occurred and be continuing on the date of such deposit or during the period ending on the 183rd day after the date of such deposit, and such defeasance shall not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which the Company or any of its Restricted Subsidiaries is a party or by which the Company or any of its Restricted Subsidiaries is bound.

In the case of either discharge or defeasance of the Notes, the Subsidiary Guarantees and JV Subsidiary Guarantees will terminate.

***Defeasance of Certain Covenants***

The Indenture further provides that (x) the provisions of the Indenture applicable to the Notes will no longer be in effect with respect to clauses (3), (4), (5)(x) and (7) under the first paragraph, and clauses (3), (4), (5)(x) and (6) under the second paragraph under "— Consolidation, Merger and Sale of Assets" and all the covenants described herein under "— Certain Covenants," other than as described under "— Certain Covenants — Government Approvals and Licenses; Compliance with Law" and "— Certain Covenants — Anti-Layering," and (y) clause (3) under "Events of Default" with respect to clauses (3), (4), (5)(x) and (7) under the first paragraph and clauses (3), (4), (5)(x) and (6) under the second paragraph under "Consolidation, Merger and Sale of Assets" and with respect to the other events set forth in clause (x) above, clause (4) under "Events of Default" with respect to such other covenants set forth in clause (x) above and clauses (5) and (6) under "Events of Default" shall be deemed not to be Events of Default upon, among other things, the deposit with the Trustee (or its agent), in trust, of money, U.S. Government Obligations or a combination thereof that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the Notes, and the satisfaction of the provisions described in clause (2) of the preceding paragraph.

***Defeasance and Certain Other Events of Default***

In the event that the Company exercises its option to omit compliance with certain covenants and provisions of the Indenture as described in the immediately preceding paragraph and the Notes are declared due and payable because of the occurrence of an Event of Default that remains applicable, the amount of money and/or U.S. Government Obligations on deposit with the Trustee will be sufficient to pay amounts due on the Notes at the time of their Stated Maturity but may not be sufficient to pay amounts due on the Notes at the time of the acceleration resulting from such Event of Default. However, the Company will remain liable for such payments.

## Amendments and Waiver

### *Amendments Without Consent of Holders*

The Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees (if any), Indenture, the Intercreditor Agreement or any Security Document may be amended, without the consent of any Holder, to:

(1) cure any ambiguity, defect, omission or inconsistency in the Indenture, the Notes, the Intercreditor Agreement or any Security Document;

(2) comply with the provisions described under "— Consolidation, Merger and Sale of Assets";

(3) evidence and provide for the acceptance of appointment by a successor Trustee;

(4) add any Subsidiary Guarantor or JV Subsidiary Guarantor, or any Subsidiary Guarantee or JV Subsidiary Guarantee, or release any Subsidiary Guarantor or JV Subsidiary Guarantor from any Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, as provided or permitted by the terms of the Indenture;

(5) provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture;

(6) add any Subsidiary Guarantor Pledgor or release any Subsidiary Guarantor Pledgor and any Collateral as provided or permitted by the terms of the Indenture;

(7) add additional Collateral to secure the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee;

(8) in any other case where a supplemental indenture to the Indenture is required or permitted to be entered into pursuant to the provisions of the Indenture without the consent of any Holder;

(9) effect any changes to the Indenture in a manner necessary to comply with the procedures of Euroclear or Clearstream or any applicable securities depositary or clearing systems;

(10) permit Permitted Pari Passu Secured Indebtedness (including, without limitation, permitting the Trustee and the Collateral Agent to enter into any amendments to the Intercreditor Agreement, the Security Documents or the Indenture, or any accession to the Intercreditor Agreement by the holders of Permitted Pari Passu Secured Indebtedness (or their representative) and take any other action necessary to permit the creation and registration of Liens on the Collateral to secure Permitted Pari Passu Secured Indebtedness, in accordance with the Indenture);

(11) to conform the text of the Indenture, the Notes or the Subsidiary Guarantees to any provision of this "Description of the 2025 Notes" to the extent that such provision in this "Description of the 2025 Notes" was intended to be a verbatim recitation of a provision of the Indenture, the Notes or the Subsidiary Guarantees; or

(12) make any other change that does not materially and adversely affect the rights of any Holder.

***Amendments With Consent of Holders***

The Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees (if any), Indenture, the Intercreditor Agreement or any Security Document may be amended with the consent of the Holders of not less than a majority in aggregate principal amount of the outstanding Notes and the Trustee may amend or waive future compliance by the Company, the Subsidiary Guarantor Pledgors, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) with any provision thereof; provided, however, that no such modification, amendment or waiver may, without the consent of each Holder affected thereby:

(1) change the Stated Maturity of the principal of, or any installment of interest on, any Note;

(2) reduce the principal amount of, or premium, if any, or interest on, any Note;

(3) change the place, currency or time of payment of principal of, or premium, if any, or interest on, any Note;

(4) impair the right to institute suit for the enforcement of any payment on or after the Stated Maturity (or, in the case of a redemption, on or after the redemption date) of any Note, any Subsidiary Guarantee or any JV Subsidiary Guarantee;

(5) reduce the above-stated percentage of outstanding Notes the consent of whose Holders is necessary to modify or amend the Indenture;

(6) waive a default in the payment of principal of, premium, if any, or interest on the Notes;

(7) release any Subsidiary Guarantor or JV Subsidiary Guarantor from its Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, except as provided in the Indenture;

(8) release any Collateral, except as provided in the Intercreditor Agreement, the Indenture and the Security Documents;

(9) reduce the percentage or aggregate principal amount of outstanding Notes the consent of whose Holders is necessary for waiver of compliance with certain provisions of the Indenture or for waiver of certain defaults;

(10) amend, change or modify any Subsidiary Guarantee or JV Subsidiary Guarantee in a manner that adversely affects the Holders;

(11) amend, change or modify any provision of the Intercreditor Agreement, any Security Document or the Indenture relating to the Collateral, in a manner that adversely affects the Holders, except in accordance with the other provisions of the Indenture;

(12) reduce the amount payable upon a Change of Control Offer or an Offer to Purchase with the Excess Proceeds from any Asset Sale or, change the time or manner by which a Change of Control Offer or an Offer to Purchase with the Excess Proceeds or other proceeds from any Asset Sale may be made or by which the Notes must be repurchased pursuant to a Change of Control Offer or an Offer to Purchase with the Excess Proceeds or other proceeds from any Asset Sale, whether through an amendment or waiver of provisions in the covenants, definitions or otherwise, unless such amendment, waiver or modification shall be in effect prior to the occurrence of a Change of Control Triggering Event or the event giving rise to the repurchase of the Notes under "— Limitation on Asset Sales";

(13) change the redemption date or the redemption price of the Notes from that stated under the captions "— Optional Redemption" or "— Redemption for Taxation Reasons";

(14) amend, change or modify the obligation of the Company or any Subsidiary Guarantor or any JV Subsidiary Guarantor to pay Additional Amounts; or

(15) amend, change or modify any provision of the Indenture or the related definition affecting the ranking of the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee in a manner which adversely affects the Holders.

**Unclaimed Money**

Claims against the Company for the payment of principal of, premium, if any, or interest, on the Notes will become void unless presentation for payment is made as required in the Indenture within a period of six years.

**No Personal Liability of Incorporators, Stockholders, Officers, Directors or Employees**

No recourse for the payment of the principal of, premium, if any, or interest on any of the Notes or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Company, any of the Subsidiary Guarantors or any of the JV Subsidiary Guarantors in the Indenture, or in any of the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees, or because of the creation of any Indebtedness represented thereby, shall be had against any incorporator, stockholder, officer, director, employee or controlling person of the Company, any of the Subsidiary Guarantors or JV Subsidiary Guarantors, or of any successor Person thereof. Each Holder, by accepting the Notes, waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees. Such waiver may not be effective to waive liabilities under the federal securities laws.

**Concerning the Collateral Agent, the Trustee and the Paying Agent**

DB Trustees (Hong Kong) Limited has been appointed as Trustee under the Indenture and as Collateral Agent with regard to the Collateral under the Security Documents and the Intercreditor Agreement. Deutsche Bank AG, Hong Kong Branch has been appointed as note registrar (the "Note Registrar") and Deutsche Bank AG, Hong Kong Branch has been appointed as paying agent and transfer agent (the "Paying Agent") with respect to the notes. The Note Registrar, the Collateral Agent and the Paying Agent are collectively the "Agents." Except during the continuance of a Default, the Trustee, Note Registrar, Paying Agent and Collateral Agent, as the case may be, undertake to perform such duties and only such duties as are specifically set forth in the Indenture, the Notes, the Security Documents or the Intercreditor Agreement, and no implied covenant or obligation shall be read into the Indenture, the Notes (as the case may be) against the Trustee or any Agent. If an Event of Default has occurred and is continuing, the Trustee will use the same degree of care and skill in its exercise of the rights and powers vested in it under the Indenture or the Notes or the Intercreditor Agreement as a prudent person would exercise under the circumstances in the conduct of such person's own affairs.

DB Trustees (Hong Kong) Limited initially acts as Collateral Agent under the Security Documents, the Intercreditor Agreement and the Indenture in respect of the Security over the Collateral. The Collateral Agent, acting in its capacity as such, shall have such duties with respect to the Collateral pledged, assigned or granted pursuant to the Security Documents as are set forth in the Indenture, the Security Documents and the Intercreditor Agreement. The Trustee and the Collateral Agent will be under no obligation to exercise any rights or powers conferred under the Indenture or any of the Security Documents and the Intercreditor Agreement for the benefit of the Holders unless such Holders have offered to the Trustee and the Collateral Agent indemnity or security reasonably satisfactory to the Trustee and the Collateral Agent against any loss, liability or expense.

The Indenture contains certain limitations on the rights of the Trustee, should it become a creditor of the Company or any of the Subsidiary Guarantors and the JV Subsidiary Guarantors, to obtain payment of claims in certain cases or to realize on certain property received by it in respect of any such claim, as security or otherwise. The Trustee is permitted to engage in other transactions with the Company and its Affiliates; provided, however, that if it acquires any conflicting interest, it must eliminate such conflict or resign.

Under certain circumstances, the Trustee and the Collateral Agent may have obligations under the Security Documents and the Intercreditor Agreement that are in conflict with the interests of the Holders, the holders of the Existing Pari Passu Secured Indebtedness and the holders (or their representatives) of Permitted Pari Passu Secured Indebtedness, if any. Neither the Trustee nor the Collateral Agent will be under any obligation to exercise any rights or powers conferred under the Indenture or any of the Security Documents, and the Intercreditor Agreement for the benefit of the Holders, the holders of the Existing Pari Passu Secured Indebtedness or the holders (or their representatives) of Permitted Pari Passu Secured Indebtedness, unless such Holders, the holders of the Existing Pari Passu Secured Indebtedness and/or the holders (or their representatives) of Permitted Pari Passu Secured Indebtedness have provided to the Trustee and/or the Collateral Agent (as applicable) indemnity and/or security satisfactory to the Trustee and/or the Collateral Agent (as applicable) against any loss, liability or expense. Furthermore, each Holder, by accepting the notes will agree, for the benefit of the Trustee, that it is solely responsible for its own independent appraisal of and investigation into all risks arising under or in connection with the Security Documents and the Intercreditor Agreement and has not relied on and will not at any time rely on the Trustee in respect of such risks. None of the Trustee, the Paying Agent and the Collateral Agent shall be responsible for the performance by any other person appointed by the Company in relation to the Notes and, unless notified in writing to the contrary, shall assume that the same are being duly performed. None of the Trustee, the Paying Agent and the Collateral Agent shall be liable to any Holder or any other person for any action taken by the Holders, the Trustee, the Paying Agent or the Collateral Agent in accordance with the instructions of the Holders. Each of the Trustee, the Paying Agent and the Collateral Agent shall be entitled to rely on any written direction of the Holders which has been duly given by the Holders in accordance with the Indenture. None of the Trustee, the Paying Agent and the Collateral Agent shall be deemed to have knowledge of any event unless it has been actually notified of such event or have actual knowledge thereof. The Trustee and the Collateral Agent are entitled to rely on all instructions, notices, declarations, calculations and certifications received pursuant to the Indenture, the Intercreditor Agreement and the Security Documents without investigating the accuracy, authenticity and validity of these instructions, notices, declarations, calculations and certifications. Pursuant to the terms of the Indenture, the Notes or the Security Documents (as the case may be), the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors will reimburse the Trustee and the Collateral Agent for all reasonable expenses.

**Book-Entry; Delivery and Form**

The New 2025 Notes will be represented by a global note in registered form without interest coupons attached (the "Global Note"). On the issue date of the New 2025 Notes, the Global Note representing the New 2025 Notes will be deposited with a common depositary and registered in the name of the common depositary or its nominee for the accounts of Euroclear and Clearstream.

***Global Note***

Ownership of beneficial interests in the Global Note (the "book-entry interests") will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that may hold interests through such participants. Book-entry interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream and their participants.

So long as the Notes are held in global form, the common depositary for Euroclear and/or Clearstream (or its nominee) will be considered the sole holder of the Global Note for all purposes under the Indenture and "holders" of book-entry interests will not be considered the owners or "Holders" of Notes for any purpose. As such, participants must rely on the procedures of Euroclear and Clearstream and indirect participants must rely on the procedures of the participants through which they own book-entry interests in order to transfer their interests in the Notes or to exercise any rights of Holders under the Indenture.

None of the Company, the Trustee or any of their respective agents will have any responsibility or be liable for any aspect of the records relating to the book-entry interests. The Notes are not issuable in bearer form.

***Payments on the Global Note***

Payments of any amounts owing in respect of the Global Note (including principal, premium, interest and Additional Amounts) will be made to the principal paying agent in U.S. dollars. The principal paying agent will, in turn, make such payments to the common depositary for Euroclear and Clearstream, which will distribute such payments to participants in accordance with their procedures. Each of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors will make payments of all such amounts without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law and as described under "— Additional Amounts."

Under the terms of the Indenture, the Company, any Subsidiary Guarantor, any JV Subsidiary Guarantor and the Trustee will treat the registered holder of the Global Note (i.e., the common depositary or its nominee) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors, the Trustee or any of their respective agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest, for any such payments made by Euroclear, Clearstream or any participant or indirect participants, or for maintaining, supervising or reviewing any of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest; or

- any action or any failure to take action by Euroclear, Clearstream or any participant or indirect participant.

Payments by participants to owners of book-entry interests held through participants are the responsibility of such participants.

***Redemption of Global Note***

In the event any Global Note, or any portion thereof, is redeemed, the common depositary will distribute the U.S. dollar amount received by it in respect of the Global Note so redeemed to Euroclear and/or Clearstream, as applicable, who will distribute such amount to the holders of the book-entry interests in such Global Note. The redemption price payable in connection with the redemption of such book-entry interests will be equal to the U.S. dollar amount received by the common depositary, Euroclear or Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof).

The Company understands that under existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate; provided, however, that no book-entry interest of US$200,000 principal amount, or less, as the case may be, will be redeemed in part.

***Action by Owners of Book-Entry Interests***

Euroclear and Clearstream have advised that they will take any action permitted to be taken by a Holder of Notes only at the direction of one or more participants to whose account the book-entry interests in the Global Note are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction.

Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Note. If there is an Event of Default under the Notes, however, each of Euroclear and Clearstream reserves the right to exchange the Global Note for individual definitive notes in certificated form, and to distribute such individual definitive notes to their participants.

***Transfers***

Transfers between participants in Euroclear and Clearstream will be effected in accordance with Euroclear and Clearstream's rules and will be settled in immediately available funds. If a Holder requires physical delivery of individual definitive notes for any reason, including to sell the Notes to persons in jurisdictions which require physical delivery of such securities or to pledge such securities, such Holder must transfer its interest in the Global Note in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the provisions of the Indenture.

Book-entry interests in the Global Note will be subject to the restrictions on transfer discussed under "Transfer Restrictions."

Any book-entry interest in a Global Note that is transferred to a person who takes delivery in the form of a book-entry interest in another Global Note will, upon transfer, cease to be a book-entry interest in the first-mentioned Global Note and become a book-entry interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to book-entry interests in such other Global Note for as long as it retains such a book-entry interest.

***Global Clearance and Settlement Under the Book-Entry System***

Book-entry interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable. Book-entry interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

The book-entry interests will trade through participants of Euroclear or Clearstream, and will settle in same-day funds. Since the purchaser determines the place of delivery, it is important to establish at the time of trading of any book-entry interests where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

**Information Concerning Euroclear and Clearstream**

We understand as follows with respect to Euroclear and Clearstream:

Euroclear and Clearstream hold securities for participating organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their participants, among other things, services for safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions, such as underwriters, securities brokers and dealers, banks and trust companies, and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Although the foregoing sets out the procedures of Euroclear and Clearstream in order to facilitate the original issue and subsequent transfers of interests in the Notes among participants of Euroclear and Clearstream, neither Euroclear nor Clearstream is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time.

None of the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors, the Trustee or any of their respective agents will have responsibility for the performance of Euroclear or Clearstream or their respective participants of their respective obligations under the rules and procedures governing their operations, including, without limitation, rules and procedures relating to book-entry interests.

***Individual Definitive Notes***

If (1) the common depositary or any successor to the common depositary is at any time unwilling or unable to continue as a depositary for the reasons described in the Indenture and a successor depositary is not appointed within 90 days, (2) either Euroclear or Clearstream, or a successor clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention to permanently cease business or does in fact do so, or (3) any of the Notes has become immediately due and payable in accordance with "— Events of Default" and the Company has received a written request from a Holder, the Company will issue individual definitive notes in registered form in exchange for the Global Note. Upon receipt of such notice from the common depositary or the Trustee, as the case may be, the Company will use its best efforts to make arrangements with the common depositary for the exchange of interests in the Global Note for individual definitive notes and cause the requested individual definitive notes to be executed and delivered to the registrar in sufficient quantities and authenticated by the registrar for delivery to Holders. Persons exchanging interests in a Global Note for individual definitive notes will be required to provide the registrar, through the relevant clearing system, with written instruction and other information required by the Company and the registrar to complete, execute and deliver such individual definitive notes. In all cases, individual definitive notes delivered in exchange for any Global Note or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by the relevant clearing system.

Individual definitive notes will not be eligible for clearing and settlement through Euroclear or Clearstream.

**Notices**

All notices or demands required or permitted by the terms of the Notes or the Indenture to be given to or by the Holders are required to be in writing and may be given or served by being sent by prepaid courier or by being deposited, first-class postage prepaid, in the United States mails (if intended for the Company or any Subsidiary Guarantor or the Trustee) addressed to the Company, such Subsidiary Guarantor, the Note Registrar, the Paying Agent or the Trustee, as the case may be, at the corporate trust office of the Trustee; and (if intended for any Holder) addressed to such Holder at such Holder's last address as it appears in the Note register (or otherwise delivered to such Holders in accordance with applicable Euroclear or Clearstream procedures).

Any such notice or demand will be deemed to have been sufficiently given or served when so sent or deposited and, if to the Holders, when delivered in accordance with the applicable rules and procedures of Euroclear or Clearstream, as the case may be. Any such notice shall be deemed to have been delivered on the day such notice is delivered to Euroclear or Clearstream, as the case may be or if by mail, when so sent or deposited.

**Consent to Jurisdiction; Service of Process**

The Company and each of the Subsidiary Guarantors have irrevocably (1) submitted to the non-exclusive jurisdiction of any U.S. federal or New York state court located in the Borough of Manhattan, The City of New York in connection with any suit, action or proceeding arising out of, or relating to, the Notes, any Subsidiary Guarantee, any JV Subsidiary Guarantee, the Indenture; and (2) designated and appointed Cogency Global Inc. at 122 East 42nd Street, 18th Floor, New York, NY 10168, USA for receipt of service of process in any such suit, action or proceeding.

**Governing Law**

Each of the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Indenture provides that such instrument is or will be, as applicable, governed by, and construed in accordance with, the laws of the State of New York without giving effect to applicable principles of conflicts of law to the extent that the application of the law of another jurisdiction would be required thereby. The relevant pledge documents pursuant to "— Security" will be governed under the laws of the jurisdiction in which the relevant Subsidiary Guarantor whose shares are pledged is incorporated.

**Definitions**

Set forth below are defined terms used in the covenants and other provisions of the Indenture. Reference is made to the Indenture for other capitalized terms used in this "Description of the 2025 Notes" for which no definition is provided.

"2012 Notes" means the 12.5% senior notes due 2017 issued by the Company on October 16, 2012 and which have been fully redeemed.

"2013 Notes" means the 9.375% senior notes due 2018 issued by the Company on April 5, 2013 and which have been fully redeemed.

"2019 BAML Facility" means the term loan facility granted under the 2019 BAML Facility Agreement.

"2019 BAML Facility Agreement" means a term loan facility agreement dated October 10, 2019 between, among others, the Company and Bank of America, N.A. as the lender.

"2019 CCB Facilities" means the term loan facilities granted under the 2019 CCB Facilities Agreement.

"2019 CCB Facility Agent" means China Construction Bank (Asia) Corporation Limited as the facility agent of the finance parties under the 2019 CCB Facilities Agreement.

"2019 CCB Facilities Agreement" means a term loan facilities agreement dates August 20, 2019 between, among others, the Company and the 2019 CCB Facility Agent.

"Acquired Indebtedness" means Indebtedness of a Person existing at the time such Person becomes a Restricted Subsidiary or Indebtedness of a Restricted Subsidiary assumed in connection with an Asset Acquisition by such Restricted Subsidiary whether or not Incurred in connection with, or in contemplation of, the Person merging with or into or becoming a Restricted Subsidiary.

"Adjusted Treasury Rate" means, with respect to any redemption date, (i) the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated "H.15(519)" or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption "Treasury Constant Maturities", for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three (3) months before or after January 10, 2023, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the Adjusted Treasury Rate shall be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month) or (ii) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per year equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date, in each case calculated on the third Business Day immediately preceding the redemption date.

"Affiliate" means, with respect to any Person, any other Person (1) directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person; (2) who is a director or officer of such Person or any Subsidiary of such Person or of any Person referred to in clause (1) of this definition; or (3) who is a spouse or any person cohabiting as a spouse, child or step-child, parent or step-parent, brother, sister, step-brother or step-sister, parent-in-law, grandchild, grandparent, uncle, aunt, nephew and niece of a Person described in clause (1) or (2). For purposes of this definition, "control" (including, with correlative meanings, the terms "controlling," "controlled by" and "under common control with"), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

"Applicable Premium" means with respect to any Note at any redemption date, the greater of (1) 1.00% of the principal amount of such Note and (2) the excess of (A) the present value at such redemption date of (x) the redemption price of such Note at January 10, 2023 (such redemption price being set forth in the table appearing in "Optional Redemption"), plus (y) all required remaining scheduled interest payments due on such Note through January 10, 2023 (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the Adjusted Treasury Rate plus 100 basis points, over (B) the principal amount of such Note on such redemption date.

"April 2023 Notes" means the 8.35% senior notes due 2023 issued by the Company on April 19, 2018.

"April 2024 Notes" means the 5.95% senior notes due 2024 issued by the Company on January 26, 2021.

"Asset Acquisition" means (1) an investment by the Company or any of its Restricted Subsidiaries in any other Person pursuant to which such Person shall become a Restricted Subsidiary or shall be merged into or consolidated with the Company or any of its Restricted Subsidiaries; or (2) an acquisition by the Company or any of its Restricted Subsidiaries of the property and assets of any Person other than the Company or any of its Restricted Subsidiaries that constitute substantially all of a division or line of business of such Person.

"Asset Disposition" means the sale or other disposition by the Company or any of its Restricted Subsidiaries (other than to the Company or another Restricted Subsidiary) of (1) all or substantially all of the Capital Stock of any Restricted Subsidiary; or (2) all or substantially all of the assets that constitute a division or line of business of the Company or any of its Restricted Subsidiaries.

"Asset Sale" means any sale, transfer or other disposition (including by way of merger, consolidation or Sale and Leaseback Transaction) of any of its property or assets (including any sale of Capital Stock of a Subsidiary or issuance of Capital Stock by a Restricted Subsidiary) in one transaction or a series of related transactions by the Company or any of its Restricted Subsidiaries to any Person; *provided* that "Asset Sale" shall not include:

(1) sales or other dispositions of inventory, receivables and other current assets (including properties under development for sale and completed properties for sale) in the ordinary course of business;

(2) sales, transfers or other dispositions of assets constituting a Permitted Investment or Restricted Payment permitted to be made under the "— Limitation on Restricted Payments" covenant;

(3) sales, transfers or other dispositions of assets with a Fair Market Value not in excess of US$1 million (or the Dollar Equivalent thereof) in any transaction or series of related transactions;

(4) any sale, transfer, assignment or other disposition of any property, or equipment that has become damaged, worn out, obsolete or otherwise unsuitable for use in connection with the business of the Company or its Restricted Subsidiaries;

(5) any transfer, assignment or other disposition deemed to occur in connection with creating or granting any Permitted Lien;

(6) a transaction covered by the covenant under the caption "— Consolidation, Merger and Sale of Assets"; and

(7) any sale, transfer or other disposition by the Company or any of its Restricted Subsidiaries, including the sale or issuance by the Company or any Restricted Subsidiary of any Capital Stock of any Restricted Subsidiary, to the Company or any Restricted Subsidiary.

"Attributable Indebtedness" means, in respect of a Sale and Leaseback Transaction, the present value, discounted at the interest rate implicit in the Sale and Leaseback Transaction, of the total obligations of the lessee for rental payments during the remaining term of the lease in the Sale and Leaseback Transaction.

"August 2022 Notes" means the 7.950% senior notes due 2022 issued by the Company on August 8, 2017.

"August 2024 Notes" means the 6.65% senior notes due 2024 issued by the Company on August 3, 2020 and December 1, 2020.

"Average Life" means, at any date of determination with respect to any Indebtedness, the quotient obtained by dividing (1) the sum of the products of (a) the number of years from such date of determination to the dates of each successive scheduled principal payment of such Indebtedness and (b) the amount of such principal payment by (2) the sum of all such principal payments.

"Bank Deposit Secured Indebtedness" means Indebtedness of the Company or any Restricted Subsidiary that is (1) secured by Liens over one or more bank accounts or deposits or other assets of the Company or a Restricted Subsidiary or (2) guaranteed by a guarantee or a letter of credit (or similar instruments) from or arranged by the Company or a Restricted Subsidiary and is used by the Company and its Restricted Subsidiaries to effect exchanges of U.S. dollars or Hong Kong dollars into Renminbi or vice versa or remit money into or outside the PRC.

"Board of Directors" means the board of directors elected or appointed by the shareholders of the Company to manage the business of the Company or any committee of such board duly authorized to take the action purported to be taken by such committee.

"Board Resolution" means any resolution of the Board of Directors taking an action which it is authorized to take and adopted at a meeting duly called and held at which a quorum of disinterested members (if so required) was present and acting throughout or adopted by written resolution executed by every member of the Board of Directors.

"Business Day" means any day which is not a Saturday, Sunday, legal holiday or other day on which banking institutions in The City of New York, London or Hong Kong (or in any other place in which payments on the Notes are to be made) are authorized by law or governmental regulation to close.

"Capitalized Lease" means, with respect to any Person, any lease of any property (whether real, personal or mixed) which, in conformity with GAAP, is required to be capitalized on the balance sheet of such Person.

"Capitalized Lease Obligations" means the discounted present value of the rental obligations under a Capitalized Lease.

"Capital Stock" means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) in equity of such Person, whether outstanding on the Original Issue Date or issued thereafter, including, without limitation, all Common Stock and Preferred Stock, but excluding debt securities convertible into such equity.

"Change of Control" means the occurrence of one or more of the following events:

(1) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Company and its Restricted Subsidiaries, taken as a whole, to any "person" (within the meaning of Section 13(d) of the Exchange Act), other than one or more Permitted Holders;

(2) the Company consolidates with, or merges with or into, any Person (other than one or more Permitted Holders), or any Person consolidates with, or merges with or into, the Company, in any such event pursuant to a transaction in which any of the outstanding Voting Stock of the Company or such other Person is converted into or exchanged for cash, securities or other property, other than any such transaction where the Voting Stock of the Company outstanding immediately prior to such transaction is converted into or exchanged for (or continues as) Voting Stock (other than Disqualified Stock) of the surviving or transferee Person constituting a majority of the outstanding shares of Voting Stock of such surviving or transferee Person (immediately after giving effect to such issuance) and in substantially the same proportion as before the transaction;

(3) the Permitted Holders are the beneficial owners of less than 30% of the total voting power of the Voting Stock of the Company;

(4) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the "beneficial owner" (as such term is used in Rule 13d-3 of the Exchange Act), directly or indirectly, of total voting power of the Voting Stock of the Company greater than such total voting power held beneficially by the Permitted Holders;

(5) individuals who on the Original Issue Date constituted the board of directors of the Company, together with any new directors whose election by the board of directors was approved by a vote of at least a majority of the directors present at the meeting voting on such election who were either directors or whose election was previously so approved, cease for any reason to constitute a majority of the board of directors of the Company then in office; or

(6) the adoption of a plan relating to the liquidation or dissolution of the Company.

"Change of Control Triggering Event" means the occurrence of both a Change of Control and, *provided* that the Notes are rated by at least one Rating Agency, a Rating Decline.

"Clearstream" means Clearstream Banking S.A.

"Collateral" means all collateral securing, or purported to be securing, directly or indirectly, the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee pursuant to the Security Documents, and shall initially consist of the Capital Stock of the initial Subsidiary Guarantors; provided that Collateral shall not include any collateral in respect of which the security granted under the Security Documents has been released in accordance with the Indenture.

"Commodity Hedging Agreement" means any spot, forward or option commodity price protection agreements or other similar agreement or arrangement designed to protect against fluctuations in commodity prices.

"Common Stock" means, with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person's common stock or ordinary shares, whether or not outstanding at the date of the Indenture, and includes, without limitation, all series and classes of such common stock or ordinary shares.

"Comparable Treasury Issue" means the U.S. Treasury security having a maturity comparable to January 10, 2023 that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to January 10, 2023.

"Comparable Treasury Price" means, with respect to any redemption date, if clause (ii) of the Adjusted Treasury Rate is applicable, the average of three, or such lesser number as is available Reference Treasury Dealer Quotations for such redemption date.

"Consolidated Assets" means, with respect to any Restricted Subsidiary at any date of determination, the Company and its Restricted Subsidiaries' proportionate interest in the total consolidated assets of that Restricted Subsidiary and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent fiscal quarter period for which consolidated financial statements of the Company and its Restricted Subsidiaries (which the Company shall use its best efforts to compile on a timely manner) are available (which may be internal consolidated financial statements).

"Consolidated EBITDA" means, for any period, Consolidated Net Income for such period plus, to the extent such amount was deducted in calculating such Consolidated Net Income:

(1) Consolidated Interest Expense,

(2) income taxes (other than income taxes attributable to extraordinary and non-recurring gains (or losses) or sales of assets) including, without limitation, Land Appreciation Tax and Enterprise Income Tax, and

(3) depreciation expense, amortization expense, impairment provisions, any share of profit of investments accounted for by the equity method of accounting that was excluded in computing Consolidated Net Income and all other non-cash items reducing Consolidated Net Income (other than non-cash items in a period which reflect cash expenses paid or to be paid in another period and losses on Investment Properties arising from fair value adjustments made in conformity with GAAP), less any share of loss of investments accounted for by the equity method of accounting that was excluded in computing Consolidated Net Income and all non-cash items increasing Consolidated Net Income (other than gains on Investment Properties arising from fair value adjustments made in conformity with GAAP),

all as determined on a consolidated basis for the Company and its Restricted Subsidiaries in conformity with GAAP; *provided* that (1) if any Restricted Subsidiary is not a Wholly Owned Restricted Subsidiary, Consolidated EBITDA shall be reduced (to the extent not otherwise reduced in accordance with GAAP) by an amount equal to (A) the amount of the Consolidated Net Income attributable to such Restricted Subsidiary multiplied by (B) the percentage ownership interest in the income of such Restricted Subsidiary not owned on the last day of such period by the Company or any of its Restricted Subsidiaries and (2) in the case of any future PRC CJV (consolidated in accordance with GAAP), Consolidated EBITDA shall be reduced (to the extent not already reduced in accordance with GAAP) by any payments, distributions or amounts (including the Fair Market Value of any non-cash payments, distributions or amounts) required to be made or paid by such PRC CJV to the PRC CJV Partner, or to which the PRC CJV Partner otherwise has a right or is entitled, pursuant to the joint venture agreement governing such PRC CJV.

"Consolidated Fixed Charges" means, for any period, the sum (without duplication) of (1) Consolidated Interest Expense for such period and (2) all cash and non-cash dividends paid, declared, accrued or accumulated during such period on any Disqualified Stock or Preferred Stock of the Company or any Restricted Subsidiary held by Persons other than the Company or any Wholly Owned Restricted Subsidiary, except for dividends payable in the Company's Capital Stock (other than Disqualified Stock) or paid to the Company or to a Wholly Owned Restricted Subsidiary.

"Consolidated Interest Expense" means, for any period, the amount that would be included in gross interest expense on a consolidated income statement prepared in accordance with GAAP for such period of the Company and its Restricted Subsidiaries, plus, to the extent not included in such gross interest expense, and to the extent incurred, accrued or payable during such period by the Company and its Restricted Subsidiaries, without duplication, (1) interest expense attributable to Capitalized Lease Obligations, (2) amortization of debt issuance costs and original issue discount expense and non-cash interest payments in respect of any Indebtedness, (3) the interest portion of any deferred payment obligation, (4) all commissions, discounts and other fees and charges with respect to letters of credit or similar instruments issued for financing purposes or in respect of any Indebtedness, (5) the net costs associated with Hedging Obligations (including the amortization of fees), (6) interest accruing on Indebtedness of any other Person (other than the Company or any Restricted Subsidiary) that is Guaranteed by, or secured by a Lien on any asset of, the Company or any Restricted Subsidiary (other than Pre-Registration Mortgage Guarantees); *provided* that if such other Person is organized under the laws of the PRC, only to the extent that such interest has become payable by the Company or any Restricted Subsidiary and (7) any capitalized interest, *provided* that interest expense attributable to interest on any Indebtedness bearing a floating interest rate will be computed on a pro forma basis as if the rate in effect on the date of determination had been the applicable rate for the entire relevant period, in each case, minus interest income for such period.

"Consolidated Net Income" means, with respect to any specified Person for any period, the aggregate of the net income (or loss) of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, determined in conformity with GAAP; *provided* that the following items shall be excluded in computing Consolidated Net Income (without duplication):

(1) the net income (or loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting except that:

    (a) subject to the exclusion contained in clause (5) below, the Company's equity in the net income of any such Person for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person during such period to the Company or a Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution paid to a Restricted Subsidiary, to the limitations contained in clause (3) below); and

    (b) the Company's equity in a net loss of any such Person for such period shall be included in determining such Consolidated Net Income to the extent funded with cash or other assets of the Company or Restricted Subsidiaries;

(2) the net income (or loss) of any Person accrued prior to the date it becomes a Restricted Subsidiary or is merged into or consolidated with the Company or any of its Restricted Subsidiaries or all or substantially all of the property and assets of such Person are acquired by the Company or any of its Restricted Subsidiaries;

(3) the net income (but not loss) of any Restricted Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Restricted Subsidiary of such net income is not at the time permitted by the operation of the terms of its charter, articles of association or other similar constitutive documents, or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Restricted Subsidiary;

(4) the cumulative effect of a change in accounting principles;

(5) any net after tax gains realized on the sale or other disposition of (a) any property or assets of the Company or any Restricted Subsidiary which is not sold in the ordinary course of its business or (b) any Capital Stock of any Person (including any gains by the Company realized on sales of Capital Stock of the Company or other Restricted Subsidiaries) which is not sold in the ordinary course of its business. For the avoidance of doubt, for purposes of both sub-clauses (a) and (b), the sale or disposition of any real property or related project or development or the sale or disposition of Capital Stock primarily made for the purposes of the sale or disposition of any real property or related project or development shall be deemed to be made in the ordinary course of business of the Company and its Restricted Subsidiaries;

(6) any translation gains and losses due solely to fluctuations in currency values and related tax effects; and

(7) any net after-tax extraordinary or non-recurring gains or losses;

*provided* that (A) solely for purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio, any net after tax gains derived from direct or indirect sale by the Company or any Restricted Subsidiary of (i) Capital Stock of a Restricted Subsidiary primarily engaged in the holding of Investment Property or (ii) an interest in any Investment Property arising from the difference between the current book value and the cash sale price shall be added to Consolidated Net Income; (B) for purposes of the Consolidated Net Income calculation (but not for purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio) any net after tax gains derived from direct or indirect sale by the Company or any Restricted Subsidiary of (i) Capital Stock of a Restricted Subsidiary primarily engaged in the holding of Investment Property or (ii) an interest in any Investment Property arising from the difference between the original cost basis and the cash sale price shall be added to Consolidated Net Income to the extent not already included in the net income for such period as determined in conformity with GAAP and Consolidated Net Income and (C) solely for the purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio, any net after tax gains on Investment Properties arising from fair value adjustments made in conformity with GAAP shall be added to Consolidated Net Income.

"Consolidated Net Worth" means, at any date of determination, stockholders' equity as set forth on the most recently available fiscal quarter consolidated balance sheet (which may be an internal consolidated balance sheet) of the Company and its Restricted Subsidiaries, plus, to the extent not included, any Preferred Stock of the Company, less any amounts attributable to Disqualified Stock or any equity security convertible into or exchangeable for Indebtedness, the cost of treasury stock and the principal amount of any promissory notes receivable from the sale of the Capital Stock of the Company or any of its Restricted Subsidiaries, each item to be determined in conformity with GAAP.

"Contractor Guarantees" means any Guarantee by the Company or any Restricted Subsidiary of Indebtedness of any contractor, builder or other similar Person engaged by the Company or such Restricted Subsidiary in connection with the development, construction or improvement of real or personal property or equipment to be used by the Company or any Restricted Subsidiary in the ordinary course of business, which Indebtedness was Incurred by such contractor, builder or other similar Person to finance the cost of such development, construction or improvement.

"Creditor Representatives" means, collectively, the Trustee, the trustee for the August 2022 Notes, the trustee for the July 2021 Notes, the trustee for the April 2023 Notes, the trustee for the October 2023 Notes, the trustee for the June 2022 Notes, the trustee for the February 2024 Notes, the trustee for the July 2023 Notes, the trustee for the July 2025 Notes, the trustee for the August 2024 Notes, the trustee for the April 2024 Notes, the trustee for the January 2026 Notes, the 2019 CCB Facility Agent, Bank of America, N.A. and the representatives or the holders of any other Existing Pari Passu Secured Indebtedness and any future Permitted Pari Passu Secured Indebtedness (or the representative or agent thereof, if any).

"Currency Agreement" means any foreign exchange forward contract, currency swap agreement or other similar agreement or arrangement designed to protect against fluctuations in foreign exchange rates.

"Debt Documents" means, collectively, the Indenture, the indenture for the August 2022 Notes, the indenture for the July 2021 Notes, the indenture for the April 2023 Notes, the indenture for the October 2023 Notes, the indenture for the June 2022 Notes, the indenture for the February 2024 Notes, the indenture for the July 2023 Notes, the indenture for the July 2025 Notes, the indenture for the August 2024 Notes, the indenture for the April 2024 Notes, the indenture for the January 2026 Notes, the 2019 CCB Facilities Agreement, the 2019 BAML Facility and the documents evidencing any other Existing Pari Passu Secured Indebtedness and any future Permitted Pari Passu Secured Indebtedness.

"Default" means any event that is, or after notice or passage of time or both would be, an Event of Default.

"Disqualified Stock" means any class or series of Capital Stock of any Person that by its terms or otherwise is (1) required to be redeemed prior to the date that is 183 days after the Stated Maturity of the Notes, (2) redeemable at the option of the holder of such class or series of Capital Stock at any time prior to the date that is 183 days after the Stated Maturity of the Notes or (3) convertible into or exchangeable for Capital Stock referred to in clause (1) or (2) above or Indebtedness having a scheduled maturity prior to the Stated Maturity of the Notes; *provided* that any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of an "asset sale" or "change of control" occurring prior to the Stated Maturity of the Notes shall not constitute Disqualified Stock if the "asset sale" or "change of control" provisions applicable to such Capital Stock are no more favorable to the holders of such Capital Stock than the provisions contained in the "— Limitation on Asset Sales" and "— Repurchase of Notes upon a Change of Control Triggering Event" covenants and such Capital Stock specifically provides that such Person will not repurchase or redeem any such stock pursuant to such provision prior to the Company's repurchase of such Notes as are required to be repurchased pursuant to the "— Limitation on Asset Sales" and "— Repurchase of Notes upon a Change of Control Triggering Event" covenants.

"Dollar Equivalent" means, with respect to any monetary amount in a currency other than U.S. dollars, at any time for the determination thereof, the amount of U.S. dollars obtained by converting such foreign currency involved in such computation into U.S. dollars at the base rate for the purchase of U.S. dollars with the applicable foreign currency as quoted by the Federal Reserve Bank of New York on the date of determination.

"Entrusted Loans" means borrowings by a PRC Restricted Subsidiary from a bank that are secured by a pledge of deposits made by another PRC Restricted Subsidiary to the lending bank as security for such borrowings, provided that, such borrowings are not reflected on the consolidated balance sheet of the Company.

"Equity Offering" means (i) any underwritten primary public offering or private placement of Common Stock of the Company after the Original Issue Date or (ii) any underwritten secondary public offering or secondary private placement of Common Stock of the Company beneficially owned by a Permitted Holder, after the Original Issue Date, to the extent that a Permitted Holder or a company controlled by a Permitted Holder concurrently with such public offering or private placement purchases in cash an equal amount of Common Stock from the Company at the same price as the public offering or private placing price; *provided* that any offering or placing referred to in (A) clause (i), (B) clause (ii), or (C) a combination of clauses (i) and (ii) result in the aggregate gross cash proceeds received by the Company being no less than US$20.0 million (or the Dollar Equivalent thereof).

"Euroclear" means Euroclear Bank SA/NV.

"Exchange Act" means the U.S. Securities Exchange Act of 1934, as amended.

"Exempted Subsidiary" means any Restricted Subsidiary organized in any jurisdiction other than the PRC that is prohibited by applicable law or regulation to provide a Subsidiary Guarantee, a JV Subsidiary Guarantee or create any Lien over its Capital Stock to secure any of the secured obligations subject to the Intercreditor Agreement; *provided* that (x) the Company shall have failed, upon using commercially reasonable efforts, to obtain any required governmental or regulatory approval or registration with respect to such Subsidiary Guarantee, JV Subsidiary Guarantee or Lien over its Capital Stock, to the extent that such approval or registration is available under any applicable law or regulation and (y) such Restricted Subsidiary shall cease to be an Exempted Subsidiary immediately upon such prohibition ceasing to be in force or apply to such Restricted Subsidiary or upon the Company having obtained such applicable approval or registration.

"Existing Pari Passu Secured Indebtedness" means the August 2022 Notes, the July 2021 Notes, the April 2023 Notes, the October 2023 Notes, the June 2022 Notes, the February 2024 Notes, the July 2023 Notes, the July 2025 Notes, the August 2024 Notes, the April 2024 Notes, the January 2026 Notes, the 2019 CCB Facilities, the 2019 BAML Facility and other indebtedness (other than the Notes) which holders (or their representatives or agents) have become a Secured Party under the Intercreditor Agreement as of the Original Issue Date.

"Existing Unrestricted Subsidiaries" means Beijing Fanhai Dongfeng Property Limited (北京泛海東風置業有限公司), Dalian Dalian Property Development Limited (大連達連房地產開發有限公司), Fuzhou Hengrui Property Development Limited (福州衡瑞房地產開發有限公司), Qingdao Sunac Jiansheng Investment Limited (青島融創建晟投資有限公司), Tianjin Sunac Qi'ao Property Limited (天津融創其澳置業有限公司), Wuhan Ronghao Property Development Limited (武漢融灝房地產開發有限公司), Sunac Services Investment Limited, Sunac Shine (PTC) Limited, Sunac Services Share Award Scheme Trust, Sunac Services Holdings Limited, and each of their respective Subsidiaries (whether now or in the future).

"Fair Market Value" means the price that would be paid in an arm's-length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by the Board of Directors, whose determination shall be conclusive if evidenced by a Board Resolution, except in the case of a determination of Fair Market Value of total assets for the purposes of determining a JV Entitlement Amount, in which case such price shall be determined by an accounting, appraisal or investment banking firm of recognized international standing appointed by the Company.

"February 2024 Notes" means the 7.5% senior notes due 2024 issued by the Company on November 1, 2019.

"Finance Subsidiary" means any Person who is Wholly Owned by the Company and who does not engage in any business activity except (1) the incurrence of Indebtedness the entire proceeds of which are on-lent to the Company or any of its Restricted Subsidiaries, (2) the Guarantee of the Indebtedness of the Company permitted to be incurred under the Indenture, (3) any activity related to the establishment or maintenance of that Person's corporate existence, and (4) any other activity in connection with or incidental to activities referred to in clauses (1) through (3).

"Fitch" means Fitch Ratings Ltd., a subsidiary of the Fitch Group, a jointly-owned subsidiary of Fimalac, S.A. and Hearst Corporation, and its successors.

"Fixed Charge Coverage Ratio" means, on any Transaction Date, the ratio of (1) the aggregate amount of Consolidated EBITDA for the then most recent four fiscal quarters period prior to such Transaction Date for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may be internal consolidated financial statements) (the "Four Quarter Period") to (2) the aggregate Consolidated Fixed Charges during such Four Quarter Period. In making the foregoing calculation:

(a) pro forma effect shall be given to any Indebtedness, Disqualified Stock or Preferred Stock Incurred, repaid or redeemed during the period (the "Reference Period") commencing on and including the first day of the Four Quarter Period and ending on and including the Transaction Date (other than Indebtedness Incurred or repaid under a revolving credit or similar arrangement (or under any predecessor revolving credit or similar arrangement) in effect on the last day of such Four Quarter Period), in each case as if such Indebtedness, Disqualified Stock or Preferred Stock had been Incurred, repaid or redeemed on the first day of such Reference Period; *provided* that, in the event of any such repayment or redemption, Consolidated

EBITDA for such period shall be calculated as if the Company or such Restricted Subsidiary had not earned any interest income actually earned during such period in respect of the funds used to repay or redeem such Indebtedness, Disqualified Stock or Preferred Stock;

(b) Consolidated Interest Expense attributable to interest on any Indebtedness (whether existing or being Incurred) computed on a pro forma basis and bearing a floating interest rate shall be computed as if the rate in effect on the Transaction Date (taking into account any Interest Rate Agreement applicable to such Indebtedness if such Interest Rate Agreement has a remaining term in excess of 12 months or, if shorter, at least equal to the remaining term of such Indebtedness) had been the applicable rate for the entire period;

(c) pro forma effect shall be given to the creation, designation or redesignation of Restricted and Unrestricted Subsidiaries as if such creation, designation or redesignation had occurred on the first day of such Reference Period;

(d) pro forma effect shall be given to Asset Dispositions and Asset Acquisitions (including giving pro forma effect to the application of proceeds of any Asset Disposition) that occur during such Reference Period as if they had occurred and such proceeds had been applied on the first day of such Reference Period; and

(e) pro forma effect shall be given to asset dispositions and asset acquisitions (including giving pro forma effect to the application of proceeds of any asset disposition) that have been made by any Person that has become a Restricted Subsidiary or has been merged with or into the Company or any Restricted Subsidiary during such Reference Period and that would have constituted Asset Dispositions or Asset Acquisitions had such transactions occurred when such Person was a Restricted Subsidiary as if such asset dispositions or asset acquisitions were Asset Dispositions or Asset Acquisitions that occurred on the first day of such Reference Period;

*provided* that to the extent that clause (d) or (e) of this sentence requires that pro forma effect be given to an Asset Acquisition or Asset Disposition (or asset acquisition or asset disposition), such pro forma calculation shall be based upon the four fiscal quarters periods immediately preceding the Transaction Date of the Person, or division or line of business of the Person, that is acquired or disposed for which financial information is available.

"GAAP" means generally accepted accounting principles in Hong Kong as in effect from time to time. All ratios and computations contained or referred to in the Indenture shall be computed in conformity with GAAP applied on a consistent basis.

"Greentown Companies" means Greentown Parent and its Subsidiaries.

"Greentown Entities" means (i) any Person directly or indirectly controlled by Greentown Parent and (ii) any Person that is directly or indirectly jointly controlled by (x) any Person falling within clause (i) and (y) the Company or any Restricted Subsidiary of the Company.

"Greentown Parent" means Greentown China Holdings Limited, a company incorporated under the laws of the Cayman Islands.

"Guarantee" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part), *provided* that the term "Guarantee" shall not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"Hedging Obligation" of any Person means the obligations of such Person pursuant to any Commodity Hedging Agreement, Currency Agreement or Interest Rate Agreement.

"HKSE Compliant Transaction" means any transaction between or among any of the Company and the Restricted Subsidiaries, on the one hand, and a Qualifying Related Entity, on the other hand; provided that, at the time of the transaction, (i) the Common Stock of the Company remains listed on The Stock Exchange of Hong Kong Limited and (ii) if such transaction is required to be specifically approved by the shareholders and/or the Board of Directors of the Company, as the case may be, in order to comply with the "connected-party transactions rules" then in effect for companies whose Common Stock is listed on The Stock Exchange of Hong Kong Limited, it has been so approved.

"Holder" means the Person in whose name a Note is registered in the Note register.

"Incur" means, with respect to any Indebtedness or Capital Stock, to incur, create, issue, assume, Guarantee or otherwise become liable for or with respect to, or become responsible for, the payment of, contingently or otherwise, such Indebtedness or Capital Stock; provided that (1) any Indebtedness and Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (or fails to meet the qualifications necessary to remain an Unrestricted Subsidiary) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and (2) the accretion of original issue discount shall not be considered an Incurrence of Indebtedness. The terms "Incurrence," "Incurred" and "Incurring" have meanings correlative with the foregoing.

"Indebtedness" means, with respect to any Person at any date of determination (without duplication):

(1) all indebtedness of such Person for borrowed money;

(2) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(3) all obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments;

(4) all obligations of such Person to pay the deferred and unpaid purchase price of property or services, except Trade Payables;

(5) all Capitalized Lease Obligations and Attributable Indebtedness;

(6) all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided* that the amount of such Indebtedness shall be the lesser of (a) the Fair Market Value of such asset at such date of determination and (b) the amount of such Indebtedness;

(7) all Indebtedness of other Persons Guaranteed by such Person to the extent such Indebtedness is Guaranteed by such Person;

(8) to the extent not otherwise included in this definition, Hedging Obligations; and

(9) all Disqualified Stock issued by such Person valued at the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price plus accrued dividends.

For the avoidance of doubt, a mandatory put option granted to a Person that obligates the Company or any Restricted Subsidiary to repurchase the Capital Stock of any Restricted Subsidiary or any other Person shall be deemed to be "Indebtedness."

Notwithstanding the foregoing, Indebtedness shall not include any capital commitments, deferred payment obligation, pre-sale receipts in advance from customers or similar obligations Incurred in the ordinary course of business in connection with the acquisition, development, construction or improvement of real or personal property (including land use rights) or Entrusted Loans; *provided* that such Indebtedness is not reflected as borrowings on the consolidated balance sheet of the Company (contingent obligations and commitments referred to in a footnote to financial statements and not otherwise reflected as borrowings on the balance sheet will not be deemed to be reflected on such balance sheet).

The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above and, with respect to contingent obligations, the maximum liability upon the occurrence of the contingency giving rise to the obligation; *provided*

(1) that the amount outstanding at any time of any Indebtedness issued with original issue discount is the face amount of such Indebtedness less the remaining unamortized portion of the original issue discount of such Indebtedness at such time as determined in conformity with GAAP,

(2) that money borrowed and set aside at the time of the Incurrence of any Indebtedness in order to prefund the payment of the interest on such Indebtedness shall not be deemed to be "Indebtedness" so long as such money is held to secure the payment of such interest, and

(3) that the amount of Indebtedness with respect to any Hedging Obligation shall be: (i) zero if Incurred pursuant to paragraph (2)(f) under the "Limitation on Indebtedness and Preferred Stock" covenant, and (ii) equal to the net amount payable by such Person if such Hedging Obligation terminated at that time if not Incurred pursuant to such paragraph.

"Independent Third Party" means any Person that is not an Affiliate of the Company.

"Intercreditor Agreement" has the meaning set forth under "— Security."

"Interest Rate Agreement" means any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement, option or future contract or other similar agreement or arrangement designed to protect against fluctuations in interest rates.

"Investment" means:

(1) any direct or indirect advance, loan or other extension of credit to another Person;

(2) any capital contribution to another Person (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others);

(3) any purchase or acquisition of Capital Stock, Indebtedness, bonds, notes, debentures or other similar instruments or securities issued by another Person; or

(4) any Guarantee of any obligation of another Person to the extent such obligation is outstanding and to the extent guaranteed by such Person.

For the purposes of the provisions of the "Designation of Restricted and Unrestricted Subsidiaries" and "Limitation on Restricted Payments" covenants: (1) the Company will be deemed to have made an Investment in an Unrestricted Subsidiary in an amount equal to the Company's proportional interest in the Fair Market Value of the assets (net of the Company's proportionate interest in the liabilities owed to any Person other than the Company or a Restricted Subsidiary and that are not Guaranteed by the Company or a Restricted Subsidiary) of a Restricted Subsidiary that is designated an Unrestricted Subsidiary at the time of such designation, and (2) any property transferred to or from any Person shall be valued at its Fair Market Value at the time of such transfer, as determined in good faith by the Board of Directors.

"Investment Grade" means a rating of "AAA," "AA," "A" or "BBB," as modified by a "+" or "-" indication, or an equivalent rating representing one of the four highest rating categories, by S&P or any of its successors or assigns, or a rating of "Aaa," or "Aa," "A" or "Baa," as modified by a "1," "2" or "3" indication, or an equivalent rating representing one of the four highest rating categories, by Moody's or any of its successors or assigns, or a rating of "AAA," "AA," "A," "BBB," as modified by a "+" or "-" indication, or an equivalent rating representing one of the four highest rating categories, by Fitch or any of its successors or assigns, or the equivalent ratings of any internationally recognized rating agency or agencies, as the case may be, which shall have been designated by the Company as having been substituted for S&P, Moody's or Fitch or two or three of them, as the case may be.

"Investment Property" means any property that is owned and held by any Restricted Subsidiary for long-term rental yields or for capital appreciation or both, or any hotel owned by the Company or any Restricted Subsidiary from which the Company or any Restricted Subsidiary derives or expects to derive operating income.

"January 2026 Notes" means the 6.5% senior notes due 2024 issued by the Company on January 26, 2021.

"Jointly Controlled Entity" means any corporation, association or other business entity of which 20% or more of the voting power of the outstanding Capital Stock is owned, directly or indirectly by the Company or a Restricted Subsidiary and such corporation, association or other business entity is treated as a "joint venture" in accordance with GAAP, and such Jointly Controlled Entity's Subsidiaries.

"June 2022 Notes" means the 7.25% senior notes due 2022 issued by the Company on June 14, 2019.

"July 2021 Notes" means the 7.35% senior notes due 2021 issued by the Company on April 19, 2018.

"July 2023 Notes" means the 6.5% senior notes due 2023 issued by the Company on July 9, 2020.

"July 2025 Notes" means the 7.0% senior notes due 2025 issued by the Company on July 9, 2020 and December 1, 2020, respectively.

"JV Entitlement Amount" means, with respect to any JV Subsidiary Guarantor and its Subsidiaries, an amount that is equal to the product of (i) the Fair Market Value of the total assets of such JV Subsidiary Guarantor and its Subsidiaries, on a consolidated basis (without deducting any Indebtedness or other liabilities of such JV Subsidiary Guarantor and its subsidiaries) as of the date of the last fiscal year end of the Company; and (ii) a percentage equal to the direct equity ownership percentage of the Company and/or its Restricted Subsidiaries in the Capital Stock of such JV Subsidiary Guarantor and its Subsidiaries.

"JV Subsidiary Guarantee" has the meaning set forth under the caption "— The Subsidiary Guarantees."

"JV Subsidiary Guarantor" means a Restricted Subsidiary that executes a JV Subsidiary Guarantee.

"Lien" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including, without limitation, any conditional sale or other title retention agreement or lease in the nature thereof or any agreement to create any mortgage, pledge, security interest, lien, charge, easement or encumbrance of any kind).

"Listed Subsidiaries" means any Restricted Subsidiary any class of the Capital Stock of which is listed on a Qualified Exchange and any Subsidiary of a Listed Subsidiary, provided that such Restricted Subsidiary shall cease to be a Listed Subsidiary immediately upon, as the case may be, (x) the Capital Stock of such Restricted Subsidiary ceasing to be listed on a Qualified Exchange, or (y) such Restricted Subsidiary ceasing to be a Subsidiary of a Listed Subsidiary.

"Measurement Date" means October 16, 2012.

"Minority Interest Staged Acquisition Agreement" means an agreement between the Company or a Restricted Subsidiary and an Independent Third Party (x) pursuant to which the Company or such Restricted Subsidiary agrees to acquire less than a majority of the Capital Stock of a Person for a consideration that is not more than the Fair Market Value of such Capital Stock of such Person at the time the Company or such Restricted Subsidiary enters into such agreement and (y) which provides that the payment of the purchase price for such Capital Stock is made in more than one installment over a period of time.

"Minority Joint Venture" means any corporation, association or other business entity in which the Company or a Restricted Subsidiary owns or holds Capital Stock, and such Minority Joint Venture's Subsidiaries.

"Net Cash Proceeds" means:

(1) with respect to any Asset Sale, the proceeds of such Asset Sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of:

    (a) brokerage commissions and other fees and expenses (including fees and expenses of counsel and investment bankers) related to such Asset Sale;

    (b) provisions for all taxes (whether or not such taxes will actually be paid or are payable) as a result of such Asset Sale without regard to the consolidated results of operations of the Company and its Restricted Subsidiaries, taken as a whole;

    (c) payments made to repay Indebtedness or any other obligation outstanding at the time of such Asset Sale that either (x) is secured by a Lien on the property or assets sold or (y) is required to be paid as a result of such sale;

    (d) appropriate amounts to be provided by the Company or any Restricted Subsidiary as a reserve against any liabilities associated with such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as determined in conformity with GAAP; and

(2) with respect to any issuance or sale of Capital Stock, the proceeds of such issuance or sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, discounts or commissions and brokerage, consultant and other fees incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

"Non-Guarantor Subsidiaries" means the New Non-Guarantor Subsidiaries, the PRC Non-Guarantor Subsidiaries, the Exempted Subsidiaries, the Listed Subsidiaries and the Existing Offshore Non-Guarantor Subsidiaries, in each case, unless and until such Subsidiary becomes a Subsidiary Guarantor or a JV Subsidiary Guarantor.

"October 2023 Notes" means the 7.95% senior notes due 2023 issued by the Company on April 11, 2019.

"Offer to Purchase" means an offer to purchase Notes by the Company from the Holders commenced by the Company mailing a notice by first class mail, postage prepaid, to the Trustee, the Paying and Transfer Agent and each Holder at its last address appearing in the Note register stating:

(1) the covenant pursuant to which the offer is being made and that all Notes validly tendered will be accepted for payment on a pro rata basis;

(2) the purchase price and the date of purchase (which shall be a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the "Offer to Purchase Payment Date");

(3) that any Note not tendered will continue to accrue interest pursuant to its terms;

(4) that, unless the Company defaults in the payment of the purchase price, any Note accepted for payment pursuant to the Offer to Purchase shall cease to accrue interest on and after the Offer to Purchase Payment Date;

(5) that Holders electing to have a Note purchased pursuant to the Offer to Purchase will be required to surrender the Note, together with the form entitled "Option of the Holder to Elect Purchase" on the reverse side of the Note completed, to the Paying Agent at the address specified in the notice prior to the close of business on the Business Day immediately preceding the Offer to Purchase Payment Date;

(6) that Holders will be entitled to withdraw their election if the Paying Agent receives, not later than the close of business on the third Business Day immediately preceding the Offer to Purchase Payment Date, a facsimile transmission or letter setting forth the name of such Holder, the principal amount of Notes delivered for purchase and a statement that such Holder is withdrawing his election to have such Notes purchased; and

(7) that Holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered; provided that each Note purchased and each new Note issued shall be in a principal amount of US$200,000 or integral multiples of US$1,000.

On the Offer to Purchase Payment Date, the Company shall (a) accept for payment on a pro rata basis Notes or portions thereof tendered pursuant to an Offer to Purchase; (b) deposit with the Paying Agent money sufficient to pay the purchase price of all Notes or portions thereof so accepted; and (c) deliver, or cause to be delivered, to the Trustee all Notes or portions thereof so accepted together with an Officers' Certificate specifying the Notes or portions thereof accepted for payment by the Company. The Paying Agent shall promptly mail to the Holders of Notes so accepted payment in an amount equal to the purchase price, and the Trustee or an authenticating agent shall promptly authenticate and mail to such Holders a new Note equal in principal amount to any unpurchased portion of the Note surrendered; *provided* that each Note purchased and each new Note issued shall be in a principal amount of US$200,000 or integral multiples of US$1,000. The Company will publicly announce the results of an Offer to Purchase as soon as practicable after the Offer to Purchase Payment Date. The Company will comply with Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable, in the event that the Company is required to repurchase Notes pursuant to an Offer to Purchase.

The offer is required to contain or incorporate by reference information concerning the business of the Company and its Subsidiaries which the Company in good faith believes will assist such Holders to make an informed decision with respect to the Offer to Purchase, including a brief description of the events requiring the Company to make the Offer to Purchase, and any other information required by applicable law to be included therein. The offer is required to contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Offer to Purchase.

"Officer" means one of the executive officers of the Company or, in the case of a Subsidiary Guarantor or JV Subsidiary Guarantor, one of the directors or officers of such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, designated as such to the Trustee by the Company, the Subsidiary Guarantors and/or the JV Subsidiary Guarantors, as the case may be.

"Officers' Certificate" means a certificate signed by two Officers; *provided* that, with respect to the Officers' Certificate required to be delivered by any Subsidiary Guarantor under the Indenture, Officers' Certificate means a certificate signed by one Officer if there is only one Officer in such Subsidiary Guarantor at the time such certificate is required to be delivered.

"Opinion of Counsel" means a written opinion from legal counsel who is reasonably acceptable to the Trustee.

"Original Issue Date" means January 10, 2020, the date on which the Existing 2025 Notes were issued under the Indenture.

"Pari Passu Guarantee" means a Guarantee by the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor of Indebtedness of the Company (including Additional Notes), any Subsidiary

Guarantor or any JV Subsidiary Guarantor; *provided* that (1) the Company, such Subsidiary Guarantor or such JV Subsidiary Guarantor was permitted to Incur such Indebtedness under the covenant under the caption "— Limitation on Indebtedness and Preferred Stock" and (2) such Guarantee ranks *pari passu* with the Notes, with any outstanding Subsidiary Guarantee of such Subsidiary Guarantor or with any outstanding JV Subsidiary Guarantee of such JV Subsidiary Guarantor, as the case may be.

"Payment Default" means (1) any default in the payment of interest on any Note when the same becomes due and payable, (2) any default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise, (3) the failure by the Company to make or consummate a Change of Control Offer in the manner described under the caption "— Repurchase of Notes upon a Change of Control Triggering Event," or an Offer to Purchase in the manner described under the caption "— Limitation on Asset Sales" or (4) any Event of Default specified in clause (5) of the definition of Event of Default.

"Permitted Holders" means any or all of the following:

(1) Mr. SUN Hongbin, the spouse and children of Mr. SUN Hongbin, and any family trust set up by any Person listed in this clause (1);

(2) any Affiliate (other than an Affiliate as defined in clause (2) or (3) of the definition of Affiliate) of the Person specified in clause (1); and

(3) any Person both the Capital Stock and the Voting Stock of which (or in the case of a trust, the beneficial interests in which) are owned 80% or more by one or more Persons specified in clauses (1) and (2).

"Permitted Investment" means:

(1) any Investment in the Company or a Restricted Subsidiary or a Person which will, upon the making of such Investment, become a Restricted Subsidiary or be merged or consolidated with or into or transfer or convey all or substantially all its assets to, the Company or a Restricted Subsidiary;

(2) Temporary Cash Investments;

(3) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses in accordance with GAAP;

(4) stock, obligations or securities received in satisfaction of judgments;

(5) an Investment in an Unrestricted Subsidiary consisting solely of an Investment in another Unrestricted Subsidiary;

(6) any Investment pursuant to a Hedging Obligation designed solely to protect the Company or any Restricted Subsidiary against fluctuations in commodity prices, interest rates or foreign currency exchange rates;

(7) receivables owing to the Company or any Restricted Subsidiary, if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms;

(8) Investments made by the Company or any Restricted Subsidiary consisting of consideration received in connection with an Asset Sale made in compliance with the covenant under the caption "— Limitation on Asset Sales."

(9) pledges or deposits (x) with respect to leases or utilities provided to third parties in the ordinary course of business or (y) otherwise described in the definition of "Permitted Liens" or made in connection with Liens permitted under the covenant described under "— Limitation on Liens";

(10) any Investment pursuant to Pre-Registration Mortgage Guarantees or Contractor Guarantees by the Company or any Restricted Subsidiary otherwise permitted to be Incurred under the Indenture;

(11) Investments in securities of trade creditors, trade debtors or customers received pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of such trade creditor, trade debtor or customer;

(12) advances to contractors and suppliers for the acquisition of assets or consumables or services in the ordinary course of business that are recorded as deposits or prepaid expenses on the Company's consolidated balance sheet;

(13) deposits of pre-sale proceeds made in order to secure the completion and delivery of pre-sold properties and issuance of the related land use title in the ordinary course of business;

(14) deposits made in order to comply with statutory or regulatory obligations to maintain deposits for workers compensation claims and other purposes specified by statute or regulation from time to time in the ordinary course of business;

(15) deposits made in order to secure the performance of the Company or any of its Restricted Subsidiaries and prepayments made in connection with the direct or indirect acquisition of real property or land use rights or personal property (including without limitation, Capital Stock) by the Company or any of its Restricted Subsidiaries (including, without limitation, by way of acquisition of Capital Stock of a Person), in each case in the ordinary course of business;

(16) advances to government affiliated entities, collective economic organizations, existing land or building owners, holders, occupants or lessees, or related agents in respect of primary land development or urban redevelopment plans in the ordinary course of business that are recorded as assets in the Company's balance sheet;

(17) Guarantees permitted under clause 2(s) of the covenant described under "— Limitation on Indebtedness and Preferred Stock";

(18) any Investment (including without limitation any deemed Investment upon the sale of Capital Stock of a Restricted Subsidiary or the designation of a Restricted Subsidiary as an Unrestricted Subsidiary) by the Company or any Restricted Subsidiary in any Person (other than a Restricted Subsidiary), *provided* that:

(a) if such Person is a corporation, association or other business entity of which less than 20% of the Capital Stock is (or upon the making of such Investments, will be) owned, directly or indirectly, by the Company or any Restricted Subsidiary (such corporation, association or other business entity, an "Associate"), the aggregate of all Investments made in all Associates after the Original Issue Date under this clause (18), less the aggregate amount of all Receipts received after the Original Issue Date in connection with any Investment in any such Associate made after the Original Issue Date under this clause (18), shall not exceed 40% of Total Assets;

(b) no Default has occurred and is continuing or would occur as a result of such Investment;

(c) with respect to a Person in which the Company or any Restricted Subsidiary has made an Investment pursuant to this clause (18), (x) if and upon the date such Person becomes an Associate, such Investment less the amount of any Receipt must satisfy paragraph (a) of this clause (18) or the other requirements of the covenant described under "— Limitation on Restricted Payments" (which may include meeting the requirements of one of the other clauses set forth under this "Permitted Investment" definition) or (y) if such Person has

become a Restricted Subsidiary in compliance with the terms of the Indenture, all Investments made by the Company or any Restricted Subsidiary in such Person since the Original Issue Date shall be deemed to have been made pursuant to clause (1) of this "Permitted Investment" definition; and

(d) if any Person described in clauses (x) or (y) of the first paragraph of the covenant described under "— Limitation on Transactions with Shareholders and Affiliates" (other than by reason of such holder being an officer or director of the Company or a Restricted Subsidiary or being the Company or a Subsidiary, Jointly Controlled Entity or Minority Joint Venture of the Company) owns, individually or in the aggregate, 15.0% or more of the outstanding Capital Stock of such Person in which the Company or any Restricted Subsidiary is making an Investment, such Investment shall comply with the covenant described under "— Limitation on Transactions with Shareholders and Affiliates"; *provided* that this paragraph (d) shall not apply to any purchase of Capital Stock of Greentown Parent by the Company, directly or indirectly.

For the avoidance of doubt, the value of each Investment made pursuant to clause (18) of this definition shall be valued at the time such Investment is made;

(19) at any time that Greentown Parent is either a Minority Joint Venture or a Restricted Subsidiary of the Company, any Investment by the Company or any Restricted Subsidiary in any Qualifying Related Entity (other than Greentown Parent) that is an HKSE Compliant Transaction; *provided* that no Default has occurred and is continuing or would occur as a result of such Investment; and *provided further* that (A) if such investee ceases to be a Qualifying Related Entity, any such outstanding Investment at the time such investee ceases to be a Qualifying Related Entity, and (B) if Greentown Parent ceases to be a Minority Joint Venture or a Restricted Subsidiary of the Company, any such outstanding Investment at the time Greentown Parent ceases to be a Minority Joint Venture or a Restricted Subsidiary of the Company, will be deemed not to have been made in accordance with this clause (19) and such Investment must at the time such investee ceases to be a Qualifying Related Entity or Greentown Parent ceases to be a Minority Joint Venture or a Restricted Subsidiary of the Company, as the case may be, satisfy the other requirements of the covenant described under "— Limitation on Restricted Payments" (including meeting the requirements of any other clauses of this "Permitted Investment" definition); and

(20) any Investment by any trust, fund, partnership, asset management plan or similar business entity (i) of which the Company or any Restricted Subsidiary acts as a general partner or otherwise holds Capital Stock and (ii) which is not consolidated by the Company in accordance with GAAP.

"Permitted Liens" means any or all of the following:

(1) Liens for taxes, assessments, governmental charges or claims that are being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;

(2) statutory and common law Liens of landlords and carriers, warehousemen, mechanics, suppliers, repairmen or other similar Liens arising in the ordinary course of business and with respect to amounts not yet delinquent or being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;

(3) Liens incurred or deposits made to secure the performance of tenders, bids, leases, statutory or regulatory obligations, bankers' acceptances, surety and appeal bonds, government contracts,

performance and return-of-money bonds and other obligations of a similar nature incurred in the ordinary course of business (exclusive of obligations for the payment of borrowed money);

(4) leases or subleases granted to others that do not materially interfere with the ordinary course of business of the Company and its Restricted Subsidiaries, taken as a whole;

(5) Liens encumbering property or assets under construction arising from progress or partial payments by a customer of the Company or its Restricted Subsidiaries relating to such property or assets;

(6) Liens on property of, or on shares of Capital Stock or Indebtedness of, any Person existing at the time such Person becomes, or becomes a part of, any Restricted Subsidiary; provided that such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets acquired; provided further that such Liens were not created in contemplation of or in connection with the transactions or series of transactions pursuant to which such Person became a Restricted Subsidiary;

(7) Liens in favor of the Company or any Restricted Subsidiary;

(8) Liens arising from the rendering of a final judgment or order against the Company or any Restricted Subsidiary that does not give rise to an Event of Default;

(9) Liens securing reimbursement obligations with respect to letters of credit that encumber documents and other property relating to such letters of credit and the products and proceeds thereof;

(10) Liens encumbering customary initial deposits and margin deposits, and other Liens that are within the general parameters customary in the industry and incurred in the ordinary course of business, in each case, securing Indebtedness under Hedging Obligations permitted by clause (f) of the second paragraph of the covenant under the caption "— Limitation on Indebtedness and Preferred Stock";

(11) Liens existing on the Original Issue Date;

(12) Liens securing Indebtedness which is Incurred to refinance secured Indebtedness which is permitted to be Incurred under clause (e) of the second paragraph of the covenant described under the caption entitled "— Limitation on Indebtedness and Preferred Stock"; provided that such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets securing the Indebtedness being refinanced;

(13) Liens under the Security Documents;

(14) Liens securing any Permitted Pari Passu Secured Indebtedness that complies with each of the requirements set forth under "— Security — Permitted Pari Passu Secured Indebtedness";

(15) any interest or title of a lessor in the property subject to any operating lease or Capitalized Lease;

(16) Liens securing Indebtedness of the Company or any Restricted Subsidiary under any Pre-Registration Mortgage Guarantee which is permitted to be Incurred under clause (g) of the second paragraph of the covenant under the caption "— Limitation on Indebtedness and Preferred Stock";

(17) easements, rights-of-way, municipal and zoning ordinances or other restrictions as to the use of properties in favor of governmental agencies or utility companies that do not materially adversely affect the value of such properties or materially impair the use for the purposes of which such properties are held by the Company or any Restricted Subsidiary;

(18) Liens (including extensions and renewals thereof) upon real or personal property; provided that, (a) such Lien is created solely for the purpose of securing Indebtedness of the type described under clause (2)(h) of the covenant under the caption entitled "— Certain Covenants — Limitation on Indebtedness and Preferred Stock" and such Lien is created prior to, at the time of or within 180 days after the later of the acquisition or the completion of development, construction or improvement of such property, (b) the principal amount of the Indebtedness secured by such Lien does not exceed 100% of the cost of such property development, construction or improvement and (c) such Lien shall not extend to or cover any property or assets other than such item of property and any improvements on such item; provided that, in the case of clauses (b) and (c), such Lien may cover other property or assets (instead of or in addition to such item of property or improvements) and the principal amount of Indebtedness secured by such Lien may exceed 100% of such cost if (x) such Lien is incurred in the ordinary course of business and (y) the aggregate book value of property or assets (as reflected in the most recent available consolidated financial statements of the Company (which may be internal consolidated statements) or, if any such property or assets have been acquired since the date of such financial statements, the cost of such property or assets) subject to Liens incurred pursuant to this clause (18) does not exceed 130% of the aggregate principal amount of Indebtedness secured by such Liens;

(19) Liens on deposits of pre-sale proceeds made in order to secure the completion and delivery of pre-sold properties and issuance of the related land use title made in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;

(20) Liens on deposits made in order to comply with statutory obligations to maintain deposits for workers compensation claims and other purposes specified by statute made in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;

(21) Liens on deposits made in order to secure the performance of the Company or any of its Restricted Subsidiaries in connection with the acquisition of real property or land use rights or personal property (including, without limitation, Capital Stock) by the Company or any of its Restricted Subsidiaries (including, without limitation, by way of acquisition of Capital Stock of a Person) in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;

(22) Liens securing Indebtedness which is permitted to be Incurred under clause (2)(n) of the covenant described under "— Limitation on Indebtedness and Preferred Stock";

(23) Liens incurred or deposits made to secure Entrusted Loans;

(24) Liens on the Capital Stock of the Person that is to be acquired under the relevant Staged Acquisition Agreement or Minority Interest Staged Acquisition Agreement securing Indebtedness which is permitted under clause (2)(o) or (2)(x) of the covenant described under "— Limitation on Indebtedness and Preferred Stock";

(25) Liens on the Capital Stock of a Restricted Subsidiary granted by the Company or any other Restricted Subsidiary in favor of any Trust Company Investor in respect of, and to secure, Indebtedness permitted under clause (2)(p) of the covenant described under "— Limitation on Indebtedness and Preferred Stock";

(26) Liens incurred on one or more bank accounts or deposits or other assets to secure Bank Deposit Secured Indebtedness;

(27) Liens on Investment Properties or fixed assets securing Indebtedness of the Company or any Restricted Subsidiary permitted under clause (2)(r) of the covenant described under "— Limitation on Indebtedness and Preferred Stock";

(28) Liens securing Indebtedness of the Company or any Restricted Subsidiary Incurred pursuant to clause (2)(s) of the covenant described under "— Limitation on Indebtedness and Preferred Stock";

(29) Liens securing Indebtedness of Restricted Subsidiaries (other than Subsidiary Guarantors or JV Subsidiary Guarantors) Incurred pursuant to clause (2)(v) of the covenant described under "— Limitation on Indebtedness and Preferred Stock"; and

(30) other Liens on any property or assets, *provided* that the aggregate book value of property or assets (as reflected in the most recent available consolidated financial statements of the Company (which may be internal consolidated statements) subject to Liens Incurred pursuant to this clause (30) does not exceed 2% of Total Assets;

*provided* that, with respect to the Collateral, "Permitted Liens" shall only refer to the Liens described in clauses (1), (6), (13) and (14) of this definition; *provided further* that, upon the occurrence of the release of the Collateral on the Release Date and thereafter, the aggregate outstanding principal amount of Indebtedness of the Company or any Restricted Subsidiary secured by any Lien over the Capital Stock of a Non-Guarantor Subsidiary incorporated outside of the PRC shall at no time exceed 20% of the Total Assets.

"Permitted Pari Passu Secured Indebtedness" has the meaning set forth under "— Security — Permitted Pari Passu Secured Indebtedness."

"Permitted Subsidiary Indebtedness" means Indebtedness (other than Public Indebtedness) of, and all Preferred Stock issued by, the Restricted Subsidiaries, taken as a whole (excluding any Indebtedness of the Subsidiary Guarantors); *provided* that, on the date of the Incurrence of such Indebtedness and after giving effect thereto and the application of the proceeds thereof, the aggregate principal amount outstanding of all such Indebtedness (excluding any Indebtedness of any Restricted Subsidiary permitted under clauses 2(a), (b), (d), (f), (g) and (m) of the covenant described under "— Certain Covenants — Limitation on Indebtedness and Preferred Stock") does not exceed an amount equal to 15% of the Total Assets.

"Person" means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

"PRC" means the People's Republic of China, excluding Hong Kong Special Administrative Region, Macau and Taiwan.

"PRC CJV" means any Subsidiary that is a Sino-foreign cooperative joint venture enterprise with limited liability, established in the PRC pursuant to the Law of the People's Republic of China on Sino-foreign Cooperative Joint Ventures adopted on April 13, 1988 (as most recently amended on September 3, 2016) and the Detailed Rules for the Implementation of the Law of the People's Republic of China on Sino-foreign Cooperative Joint Ventures promulgated on September 4, 1995 (as most recently amended on February 19, 2010), as such laws may be amended.

"PRC CJV Partner" means with respect to a PRC CJV, the other party to the joint venture agreement relating to such PRC CJV with the Company or any Restricted Subsidiary.

"PRC Restricted Subsidiary" means a Restricted Subsidiary organized under the laws of the PRC.

"Pre-Registration Mortgage Guarantee" means any Indebtedness of the Company or any Restricted Subsidiary consisting of a guarantee in favor of any bank or other similar financial institutions in the ordinary course of business of secured loans of purchasers of individual units of properties from the Company or any Restricted Subsidiary; provided that, any such guarantee shall be released in full on or before the perfection of a security interest in such properties under applicable law in favor of the relevant lender.

"Preferred Stock" as applied to the Capital Stock of any Person means Capital Stock of any class or classes that by its term is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

"Public Indebtedness" means any bonds, debentures, notes or similar debt securities issued in a public offering or a private placement (other than the Notes) to institutional investors.

"Qualified Exchange" means either (1) The New York Stock Exchange, the Nasdaq Stock Market, the London Stock Exchange, The Stock Exchange of Hong Kong Limited, Singapore Exchange Securities Trading Limited, the Shanghai Stock Exchange or the Shenzhen Stock Exchange or (2) a national securities exchange (as such term is defined in Section 6 of the Exchange Act) or a designated offshore securities market (as such term is defined in Rule 902(b) under the Securities Act).

"Qualified IPO" means a listing (or a deemed new listing pursuant to the rules of the relevant stock exchange or governing body) of the Voting Stock of a member of a Spin-off Group on a Qualified Exchange; provided that in the case that such listing is on a national securities exchange (as such term is defined in Section 6 of the Exchange Act) or a designated offshore securities market (as such term is defined in Rule 902(b) under the Securities Act), such listing shall result in a public float of no less than the percentage required by the applicable listing rules.

"Qualifying Related Entity" means any Greentown Entity and any Wharf Entity.

"Rating Agencies" means (1) S&P, (2) Moody's and (3) Fitch; provided that if S&P, Moody's, Fitch, two of any of the three or all three of them shall not make a rating of the Notes publicly available, one or more nationally recognized statistical rating organizations (as defined in Rule 436 under the Securities Act), as the case may be, selected by the Company, which shall be substituted for S&P, Moody's, Fitch, two of any of the three or all three of them, as the case may be.

"Rating Category" means (1) with respect to S&P, any of the following categories: "BB," "B," "CCC," "CC," "C" and "D" (or equivalent successor categories); (2) with respect to Moody's, any of the following categories: "Ba," "B," "Caa," "Ca," "C" and "D" (or equivalent successor categories); (3) with respect to Fitch, any of the following categories: "BB," "B," "CCC," "CC," "C" and "D" (or equivalent successor categories); and (4) the equivalent of any such category of S&P, Moody's or Fitch used by another Rating Agency. In determining whether the rating of the Notes has decreased by one or more gradations, gradations within Rating Categories ("+" and "-" for S&P; "1," "2" and "3" for Moody's and "+" and "-" for Fitch; or the equivalent gradations for another Rating Agency) shall be taken into account (e.g., with respect to S&P, a decline in a rating from "BB+" to "BB," as well as from "BB-" to "B+," will constitute a decrease of one gradation).

"Rating Date" means (1) in connection with a Change of Control Triggering Event, that date which is 90 days prior to the earlier of (x) a Change of Control and (y) a public notice of the occurrence of a Change of Control or of the intention by the Company or any other Person or Persons to effect a Change of Control or (2) in connection with actions contemplated under the caption "— Consolidation, Merger and Sale of Assets," that date which is 90 days prior to the earlier of (x) the occurrence of any such actions as set forth therein and (y) a public notice of the occurrence of any such actions.

"Rating Decline" means (1) in connection with a Change of Control Triggering Event, the occurrence on, or within six months after, the date, or public notice of the occurrence of, a Change of Control or the intention by the Company or any other Person or Persons to effect a Change of Control (which period shall be extended so long as the rating of the Notes is under publicly announced consideration for possible downgrade by any of the Rating Agencies) of any of the events listed below, or (2) in connection with actions contemplated under the caption "— Consolidation, Merger and Sale of Assets," the notification by any of the Rating Agencies that such proposed actions will result in any of the events listed below:

(a) in the event the Notes are rated by all three of the Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by any two of the three Rating Agencies shall be below Investment Grade;

(b) in the event the Notes are rated by any two, but not all three, of the three Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by any of such two Rating Agencies shall be below Investment Grade;

(c) in the event the Notes are rated by one, and only one, of the three Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by such Rating Agency shall be below Investment Grade; or

(d) in the event the Notes are rated by three or less than three Rating Agencies and are rated below Investment Grade by all such Rating Agencies on the Rating Date, the rating of the Notes by any Rating Agency shall be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories).

"Receipt" means, at any time, with respect to an Associate, an amount equal to the net reduction in all Investments made in such Associate under clause (18) of the definition of "Permitted Investment" since the Original Issue Date resulting from (A) receipt of payments in cash by the Company or any Restricted Subsidiary in respect of all such Investments, including interest on, or repayments of, loans or advances, dividends or other distributions (except, in each case, to the extent any such payments are included in the calculation of Consolidated Net Income), (B) the unconditional release of a Guarantee of any obligation of any Associate provided under such clause (18) after the Original Issue Date by the Company or any Restricted Subsidiary, (C) to the extent that an Investment made after the Original Issue Date under such clause (18) is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the reasonable costs of disposition, if any) and (y) the initial amount of such Investment, (D) such Associate ceasing to be an Associate but of which the Company or any Restricted Subsidiary continues to own, directly or indirectly, 20% or more of the Capital Stock (whereupon all Investments made by the Company or any Restricted Subsidiary since the Original Issue Date in such Person that has ceased to be an Associate shall be deemed to have been removed from the numerator used to make the calculation in paragraph (a) of clause (18) of the definition of "Permitted Investment"), or (E) such Associate becoming a Restricted Subsidiary (whereupon all Investments made by the Company or any Restricted Subsidiary in such Associate since the Permitted Investment Measurement Date shall be deemed to have been made pursuant to clause (1) of the definition of "Permitted Investment" definition).

"Reference Treasury Dealer" means each of any three investment banks of recognized standing that is a primary U.S. Government securities dealer in The City of New York, selected by the Company in good faith.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by an investment banking firm of recognized international standing, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to such investment banking firm by such Reference Treasury Dealer at 5:00 p.m. on the third Business Day preceding such redemption date.

"Release Date" has the meaning set forth under "— Security — Release of Security." "Relevant Non-Guarantor Subsidiary" means a Restricted Subsidiary organized outside the PRC that is neither a Subsidiary Guarantor nor a JV Subsidiary Guarantor (other than Shanghai Sunac Greentown, the Exempted Subsidiaries and the Listed Subsidiaries, in each case for so long as such Restricted Subsidiary is neither a Subsidiary Guarantor nor a JV Subsidiary Guarantor).

"Relevant Total Assets" means the Total Assets of the Company without counting the assets of each Listed Subsidiary, in each case for so long as such Listed Subsidiary is neither a Subsidiary Guarantor nor a JV Subsidiary Guarantor.

"Replacement Assets" means, on any date, property or assets (other than current assets that are not land use rights, properties under development or completed properties held for sale) that will be used in the business of the Company or any Restricted Subsidiary.

"Restricted Subsidiary" means any Subsidiary of the Company other than an Unrestricted Subsidiary.

"S&P" means Standard & Poor's Ratings Services and its affiliates.

"Sale and Leaseback Transaction" means any direct or indirect arrangement relating to property (whether real, personal or mixed), now owned or hereafter acquired whereby the Company or any Restricted Subsidiary transfers such property to another Person and the Company or any Restricted Subsidiary leases it from such Person.

"Secured Creditors" means, collectively, the Collateral Agent and the creditors and the agents under the Debt Documents.

"Secured Indebtedness" means any Indebtedness of the Company or a Restricted Subsidiary secured by a Lien.

"Securities Act" means the U.S. Securities Act of 1933, as amended.

"Security Documents" means, collectively, the pledge agreements and any other agreements or instruments that may evidence or create any security interest in favor of the Trustee, the Collateral Agent and/or any Holders in any or all of the Collateral.

"Senior Indebtedness" of the Company or a Restricted Subsidiary, as the case may be, means all Indebtedness of the Company or the Restricted Subsidiary, as relevant, whether outstanding on the Original Issue Date or thereafter created, except for Indebtedness which, in the instrument creating or evidencing the same, is expressly stated to be subordinated in right of payment to (a) in respect of the Company, the Notes, (b) in respect of any Restricted Subsidiary that is a Subsidiary Guarantor, its Subsidiary Guarantee, or (c) in respect of any Restricted Subsidiary that is a JV Subsidiary Guarantor, its JV Subsidiary Guarantee; *provided* that Senior Indebtedness does not include (1) any obligation to the Company or any Restricted Subsidiary, (2) trade payables or (3) Indebtedness Incurred in violation of the Indenture.

"Shanghai Sunac Greentown" means (x) a Subsidiary of the Company incorporated under the laws of the British Virgin Islands, (i) 50% of the outstanding Capital Stock of which is contemplated to be held, directly or indirectly, by Greentown China Holdings Limited and (ii) which is contemplated to be the holding company, directly or indirectly, of the real estate development project located in Huangpu District, Shanghai, PRC and (y) its Subsidiaries, if any.

"Significant Restricted Subsidiary" means a Restricted Subsidiary, when consolidated with its Restricted Subsidiaries, that would be a "significant subsidiary" using the conditions specified in the definition of significant subsidiary in Article 1, Rule 1-02(w) of Regulation S-X, promulgated pursuant to the Securities Act, as such Regulation is in effect on the date of the Indenture, if any of the conditions exceeds 5%.

"Spin-off Group" means a Subsidiary of the Company which conducts (directly or indirectly) primarily businesses other than the acquisition and development of residential property in the PRC.

"Staged Acquisition Agreement" means an agreement between the Company or a Restricted Subsidiary and an Independent Third Party (x) pursuant to which the Company or such Restricted Subsidiary agrees to acquire more than 50% of the Capital Stock of a Person for a consideration that is not more than the Fair Market Value of such Capital Stock of such Person at the time the Company or such Restricted Subsidiary enters into such agreement and (y) which provides that the payment of the purchase price for such Capital Stock is made in more than one installment over a period of time.

"Stated Maturity" means, (1) with respect to any Indebtedness, the date specified in such debt security as the fixed date on which the final installment of principal of such Indebtedness is due and payable as set forth in the documentation governing such Indebtedness and (2) with respect to any

scheduled installment of principal of or interest on any Indebtedness, the date specified as the fixed date on which such installment is due and payable as set forth in the documentation governing such Indebtedness.

"Subordinated Indebtedness" means any Indebtedness of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor which is contractually subordinated or junior in right of payment to the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee, as applicable, pursuant to a written agreement to such effect.

"Subordinated Shareholder Loan" means unsecured Indebtedness Incurred by the Company from but only for long as such Indebtedness is owed to, any Permitted Holder (other than the Company or any Restricted Subsidiary) as to which (a) the payment of principal of (and premium, if any) and interest and other payment obligations in respect of such Indebtedness is, by its terms or by the terms of any agreement or instrument pursuant to which such Indebtedness is issued or remains outstanding and an agreement (the "Subordination Agreement") to be entered into among the holders of such Indebtedness (or trustees or agents therefor) and the Trustee, is expressly made subordinate to the prior payment in full of the Notes to at least the following extent: (i) no payments of principal of (or premium, if any) or interest on or otherwise due in respect of such Indebtedness may be permitted for so long as any Default exists; (ii) such Indebtedness may not (x) provide for payments of principal of such Indebtedness at the Stated Maturity thereof or by way of a sinking fund applicable thereto or by way of any mandatory redemption, defeasance, retirement or repurchase thereof by the Company or any Restricted Subsidiary (including any redemption, retirement or repurchase which is contingent upon events or circumstances), in each case prior to the final Stated Maturity of the Notes or (y) permit redemption or other retirement (including pursuant to an offer to purchase made by the Company or any Restricted Subsidiary) of such other Indebtedness at the option of the holder thereof prior to the final Stated Maturity of the Notes, except to the extent such redemption or other retirement is permitted under the covenant described under "— Certain Covenants — Limitation on Restricted Payments" on the date of such redemption or other retirement, (iii) the Subordination Agreement will prohibit the holders of such Indebtedness (or trustees or agents therefor) from pursuing remedies against the Company or any of the Restricted Subsidiaries or their respective assets or properties in an insolvency proceeding or in respect of a default under such Indebtedness and (iv) the Subordination Agreement will provide in the event that any payment is received by the holders of such Indebtedness (or any trustee or agent therefor) in respect of such Indebtedness where such payment is prohibited by one or more of the subordination provisions described in this definition, such payment shall be held in trust for the benefit of, and shall be paid over or delivered to, the Trustee on behalf of the Holders of the Notes, and (b) the terms thereof provide that interest (and premium, if any) thereon is paid solely in the form of (i) pay-in-kind, or PIK, payments constituting additional Subordinated Shareholder Loans or (ii) cash (to the extent provided for when such Subordinated Shareholder Loan was originally Incurred) if such cash interest (or premium, if any) payment would be permitted to be made under the covenant described under "— Certain Covenants — Limitation on Restricted Payments" on the date of such payment.

"Subsidiary" means, with respect to any Person, any corporation, association or other business entity (i) of which more than 50% of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person or (ii) of which 50% of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person and in each case which is "controlled" and consolidated by such Person in accordance with GAAP; provided, however, that with respect to clause (ii), the occurrence of any event (other than the issuance or sale of Capital Stock) as a result of which such corporation, association or other business entity ceases to be "controlled" by such Person under the GAAP and to constitute a Subsidiary of such Person shall be deemed to be a designation of such corporation, association or other business entity as an Unrestricted Subsidiary by such Person and be subject to the requirements under the first paragraph of "Designation of Restricted and Unrestricted Subsidiaries" covenant.

"Subsidiary Guarantee" means any Guarantee of the obligations of the Company under the Indenture and the Notes by any Subsidiary Guarantor.

"Subsidiary Guarantor" means any initial Subsidiary Guarantor named herein and any other Restricted Subsidiary which guarantees the payment of the Notes pursuant to the Indenture and the Notes; *provided* that Subsidiary Guarantor will not include (a) any Person whose Subsidiary Guarantee has been released in accordance with the Indenture and the Notes or (b) any JV Subsidiary Guarantor.

"Subsidiary Guarantor Pledgor" means any initial Subsidiary Guarantor Pledgor named herein and any other Subsidiary Guarantor which pledges Collateral to secure the obligations of the Company under the Notes and the Indenture and of such Subsidiary Guarantor under its Subsidiary Guarantee; *provided* that a Subsidiary Guarantor Pledgor will not include any person whose pledge under the Security Documents has been released in accordance with the Security Documents, the Indenture and the Notes.

"Temporary Cash Investment" means any of the following:

(1) direct obligations of the United States of America, any state of the European Economic Area, the People's Republic of China and Hong Kong or any agency of any of the foregoing or obligations fully and unconditionally Guaranteed by the United States of America, any state of the European Economic Area, the People's Republic of China and Hong Kong or any agency of any of the foregoing, in each case maturing within one year;

(2) demand or time deposit accounts, certificates of deposit and money market deposits maturing within 180 days of the date of acquisition thereof issued by a bank or trust company which is organized under the laws of the United States of America, any state thereof, any state of the European Economic Area or Hong Kong, and which bank or trust company has capital, surplus and undivided profits aggregating in excess of US$100 million (or the Dollar Equivalent thereof) and has outstanding debt which is rated "A" (or such similar equivalent rating) or higher by at least one nationally recognized statistical rating organization (as defined in Section 3(a)(62) of the Exchange Act) or any money market fund sponsored by a registered broker dealer or mutual fund distributor;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) above entered into with a bank or trust company meeting the qualifications described in clause (2) above;

(4) commercial paper, maturing not more than 180 days after the date of acquisition thereof, issued by a corporation (other than an Affiliate of the Company) organized and in existence under the laws of the United States of America, any state thereof or any foreign country recognized by the United States of America with a rating at the time as of which any investment therein is made of "A-1" (or higher) according to S&P or Fitch;

(5) securities, maturing within one year of the date of acquisition thereof, issued or fully and unconditionally Guaranteed by any state, commonwealth or territory of the United States of America, or by any political subdivision or taxing authority thereof, and rated at least "A" by S&P or Fitch;

(6) any money market fund that has at least 95% of its assets continuously invested in investments of the types described in clauses (1) through (5) above;

(7) (i) time deposit accounts, certificates of deposit, overnight or call deposits and money market deposits with a bank or financial institution which is organized under the laws of the PRC or Hong Kong; or (ii) structured deposit products with a term not exceeding six months that are principal protected with any banks or financial institutions organized under the laws of the PRC or Hong Kong.

"Total Assets" means, as of any date, the total consolidated assets of the Company and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent fiscal quarter for which consolidated financial statements of the Company (which the Company shall use its best efforts to compile on a timely manner) are available (which may be internal consolidated financial statements); *provided* that:

(1) only with respect to clause (2)(h) of "— Certain Covenants — Limitation on Indebtedness and Preferred Stock" covenant and the definition of "Permitted Subsidiary Indebtedness," Total Assets shall be calculated after giving pro forma effect to include the cumulative value of all of the real or personal property or equipment the acquisition, development, construction or improvement of which requires or required the Incurrence of Indebtedness and calculation of Total Assets thereunder, as measured by the purchase price or cost therefor or budgeted cost provided in good faith by the Company or any of its Restricted Subsidiaries to the bank or other similar financial institutional lender providing such Indebtedness;

(2) only with respect to clause (2)(w) of "— Certain Covenants — Limitation on Indebtedness and Preferred Stock" covenant, with respect to the Incurrence of any Acquired Indebtedness as a result of any Person becoming a Restricted Subsidiary, Total Assets shall be calculated after giving pro forma effect to include the consolidated assets of such Restricted Subsidiary and any other change to the consolidated assets of the Company as a result of such Person becoming a Restricted Subsidiary; and

(3) only with respect to any Person becoming a New Non-Guarantor Subsidiary, pro forma effect shall at such time be given to the consolidated assets of such New Non-Guarantor Subsidiary (including giving pro forma effect to any other change to the consolidated assets of the Company, in each case as a result of such Person becoming a New Non-Guarantor Subsidiary).

"Trade Payables" means, with respect to any Person, any accounts payable or any other indebtedness or monetary obligation to trade creditors created, assumed or Guaranteed by such Person or any of its Subsidiaries arising in the ordinary course of business in connection with the acquisition of goods or services.

"Transaction Date" means, with respect to the Incurrence of any Indebtedness, the date such Indebtedness is to be Incurred and, with respect to any Restricted Payment, the date such Restricted Payment is to be made.

"Trust Company Investor" means (i) a financial institution, including but not limited to a bank, insurance company, securities management company, trust company, fund management company and asset management company, or an insurance company, or (ii) an Affiliate thereof, that invests in any Capital Stock of the Company or a Restricted Subsidiary.

"Trustee" means DB Trustees (Hong Kong) Limited until a successor replaces it and, thereafter, means the successor.

"Unrestricted Subsidiary" means (1) subject to any redesignations under the caption "— Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries," each of the Existing Unrestricted Subsidiaries and their respective Subsidiaries; (2) any Subsidiary of the Company that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors in the manner provided in the Indenture; and (3) any Subsidiary of an Unrestricted Subsidiary.

"U.S. Government Obligations" means securities that are (1) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (2) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the payment of which is unconditionally Guaranteed as a full faith and credit obligation by the United States of America, which, in either case, are not callable or redeemable at the option of the issuer thereof at any

time prior to the Stated Maturity of the Notes, and shall also include a depository receipt issued by a bank or trust company as custodian with respect to any such U.S. Government Obligation or a specific payment of interest on or principal of any such U.S. Government Obligation held by such custodian for the account of the holder of a depository receipt; *provided* that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of interest on or principal of the U.S. Government Obligation evidenced by such depository receipt.

"Voting Stock" means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

"Wharf Entity" means (i) any Person directly or indirectly controlled by The Wharf Holdings Limited and (ii) any Person that is directly or indirectly jointly controlled by (x) any Person falling within clause (i) and (y) the Company or any Restricted Subsidiary of the Company.

"Wholly Owned" means, with respect to any Subsidiary of any Person, the ownership of all of the outstanding Capital Stock of such Subsidiary (other than any director's qualifying shares or Investments by foreign nationals mandated by applicable law) by such Person or one or more Wholly Owned Subsidiaries of such Person; *provided* that Subsidiaries that are PRC CJVs shall not be considered Wholly Owned Subsidiaries unless such Person or one or more Wholly Owned Subsidiaries of such Person is entitled to 95.0% or more of the economic benefits distributable by such Subsidiary.

# DESCRIPTION OF THE 2024 NOTES

For purposes of this "Description of the Notes," the term "Company" refers only to Sunac China Holdings Limited, and any successor obligor on the Notes, and not to any of its subsidiaries. Each Subsidiary of the Company which guarantees the Notes is referred to as a "Subsidiary Guarantor," and each such guarantee is referred to as a "Subsidiary Guarantee." Each Subsidiary of the Company that in the future provides a JV Subsidiary Guarantee (as defined herein) is referred to as a "JV Subsidiary Guarantor."

The Existing 2024 Notes were issued under an indenture (the "Indenture"), dated as of the Original Issue Date, among the Company, the Subsidiary Guarantors, as guarantors, the Trustee (as defined below) and the Collateral Agent (as defined below). The New 2024 Notes to be issued pursuant to this offering memorandum constitute Additional Notes under the Indenture and are identical in all respects to the Existing 2024 Notes except for principal amount, issue date and issue price, and the New 2024 Notes and the Existing 2024 Notes will be consolidated and form a single series and vote together as one class on all matters with respect to the Notes. Unless the context requires otherwise, the references in this section to "Notes" mean the New 2024 Notes and the Existing 2024 Notes. The total principal amount of the New 2024 Notes to be issued is US$342,000,000. Upon the issue of the New 2024 Notes, the aggregate principal amount of outstanding Notes will be US$942,000,000.

The following is a summary of certain provisions of the Indenture, the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees and the Intercreditor Agreement (as defined below). This summary does not purport to be complete and is qualified in its entirety by reference to all of the provisions of the Indenture, the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Intercreditor Agreement. It does not restate those agreements in their entirety. Whenever particular sections or defined terms of the Indenture not otherwise defined herein are referred to, such sections or defined terms are incorporated herein by reference. Copies of the Indenture are available at the corporate trust office of the Trustee at DB Trustees (Hong Kong) Limited, Level 60 International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong; Attention: The Managing Directors.

**Brief Description of the Notes**

The Notes are:

- general obligations of the Company;
- senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes;
- at least *pari passu* in right of payment with the Existing Pari Passu Secured Indebtedness and all other unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law);
- guaranteed by the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) on a senior basis, subject to the limitations described below under the caption "— The Subsidiary Guarantees" and in "Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral";
- effectively subordinated to the other secured obligations (if any) of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors, to the extent of the value of the assets serving as security therefor (other than the Collateral); and
- effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries (as defined below).

In addition, from the Original Issue Date and until the Release Date, subject to the limitations described in "Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral," the Notes will be secured by a pledge of the Collateral as described below under the caption "— Security" and will, prior to the Release Date:

- be entitled to a lien on the Collateral (subject to any Permitted Liens, the Intercreditor Agreement and shared on a *pari passu* basis with the holders of the Existing Pari Passu Secured Indebtedness and any holders of Permitted Pari Passu Secured Indebtedness); and

- rank effectively senior in right of payment to unsecured obligations of the Company with respect to the value of the Collateral pledged by the Company securing the Notes (subject to any priority rights of such unsecured obligations pursuant to applicable law).

The Notes will mature on April 26, 2024, unless earlier redeemed pursuant to the terms thereof and the Indenture.

The Notes will bear interest at 5.95% per annum from the Original Issue Date or from the most recent interest payment date to which interest has been paid or duly provided for, payable semi-annually in arrears on April 26 and October 26 of each year (each an "Interest Payment Date"), commencing October 26, 2021, except that the first payment of interest, to be made on October 26, 2021, will be in respect of the period from and including January 26, 2021 to (but excluding) October 26, 2021. Interest on the Notes will be paid to Holders of record at the close of business on April 11 or October 11 immediately preceding an Interest Payment Date (each, a "Record Date"), notwithstanding any transfer, exchange or cancellation thereof after a Record Date and prior to the immediately following Interest Payment Date. Interest on the Notes will be calculated on the basis of a 360-day year comprised of twelve 30-day months. So long as the Notes are held in global form, each payment in respect of the Global Note will be made to the person shown as the holder of the Notes in the Note register at the close of business (of the relevant clearing system) on the Clearing System Business Day before the due date for such payments, where "Clearing System Business Day" means a weekday (Monday to Friday, inclusive) except December 25 and January 1.

Except as described under "Optional Redemption," "Redemption for Taxation Reasons," and otherwise provided in the Indenture, the Notes may not be redeemed prior to maturity (unless they have been repurchased by the Company).

In any case in which the date of the payment of principal of, premium on or interest on the Notes is not a Business Day in the relevant place of payment or in the place of business of the Paying Agent, then payment of such principal, premium or interest need not be made on such date but may be made on the next succeeding Business Day. Any payment made on such Business Day shall have the same force and effect as if made on the date on which such payment is due and no interest on the Notes shall accrue for the period between such due date and such payment date.

The Indenture allows additional Notes (including the New 2024 Notes) to be issued from time to time (the "Additional Notes"), subject to certain limitations described under "— Further Issues." Unless the context requires otherwise, references to the "Notes" for all purposes of the Indenture and this "Description of the Notes" include any Additional Notes (including the New 2024 Notes) that are actually issued.

The New 2024 Notes will be issued only in fully registered form, without coupons, in denominations of US$200,000 and integral multiples of US$1,000 in excess thereof. No service charge will be made for any registration of transfer or exchange of Notes, but the Company may require payment of a sum sufficient to cover any transfer tax or other similar governmental charge payable in connection therewith.

All payments on the Notes will be made by wire transfer in U.S. dollars by the Company at the office or agency of the Company maintained for that purpose in the Borough of Manhattan, The City of New York or at the office of the Paying Agent, and the Notes may be presented for registration of transfer or exchange at such office or agency; provided that, if the Notes are in certificated form and the Company acts as its own paying agent, at the option of the Company, payment of interest may be made by check mailed to the address of the Holders as such address appears in the Note register maintained by the Note Registrar or by wire transfer. Interest payable on the Notes held through Euroclear or Clearstream will be available to Euroclear or Clearstream participants (as defined herein) on the Business Day following payment thereof.

**The Subsidiary Guarantees**

The initial Subsidiary Guarantors that executed the Indenture on the Original Issue Date consist of all of the Company's Restricted Subsidiaries other than those Restricted Subsidiaries organized under the laws of the PRC (the "PRC Non-Guarantor Subsidiaries") and the Existing Offshore Non-Guarantor Subsidiaries. The Subsidiary Guarantors are holding companies that do not have significant operations.

The initial Subsidiary Guarantors are Sunac Real Estate Investment Holdings Ltd., Qiwei Real Estate Investment Holdings Ltd., Ying Zi Real Estate Investment Holdings Ltd, Jujin Real Estate Investment Holdings Ltd, Jujin Property Investment Holdings Limited, Ding Sheng Real Estate Investment Holdings Ltd., Ding Sheng Property Investment Holdings Limited, Zhuo Yue Real Estate Investment Holdings Limited and Zhuo Yue Property Investment Holdings Limited.

Other than the initial Subsidiary Guarantors, none of the Company's other Restricted Subsidiaries organized outside the PRC as of the Original Issue Date (collectively, the "Existing Offshore Non-Guarantor Subsidiaries") or the existing PRC Non-Guarantor Subsidiaries will provide a Subsidiary Guarantee or JV Subsidiary Guarantee on the Original Issue Date. In addition, none of the future Restricted Subsidiaries organized under the laws of the PRC, the Exempted Subsidiaries (as long as it remains an Exempted Subsidiary) or the Listed Subsidiaries (as long as such Listed Subsidiary remains a Listed Subsidiary) will provide a Subsidiary Guarantee or JV Subsidiary Guarantee at any time in the future.

In the case of a Restricted Subsidiary (i) that is established after the Original Issue Date, (ii) that is a Potential Subsidiary Guarantor (as defined below) and (iii) in respect of which the Company or any of its Restricted Subsidiaries (x) is proposing to sell, whether through the sale of existing shares or the issuance of new shares, no less than 20.0% and no more than 49.9% of the Capital Stock of such Restricted Subsidiary or (y) is proposing to purchase no less than 50.1% and no more than 80.0% of the Capital Stock of an Independent Third Party and designate such entity as a Restricted Subsidiary, the Company may, concurrently with the consummation of such sale or purchase, provide a JV Subsidiary Guarantee instead of a Subsidiary Guarantee for (a) such Restricted Subsidiary and (b) the Restricted Subsidiaries of such Restricted Subsidiary that are Potential Subsidiary Guarantors, if the following conditions, in the case of both (a) and (b), are satisfied:

- as of the date of execution of the JV Subsidiary Guarantee, no document exists that is binding on the Company or any of the Restricted Subsidiaries that would have the effect of (a) prohibiting the Company or any of the Restricted Subsidiaries from providing such JV Subsidiary Guarantee or (b) requiring the Company or any of the Restricted Subsidiaries to deliver or keep in place a guarantee on terms that are more favorable to the recipients of such guarantee than the JV Subsidiary Guarantee;

- such sale or issuance of Capital Stock is made to, or such purchase of Capital Stock is purchased from, an Independent Third Party at a consideration that is not less than the appraised value of such Capital Stock by an independent appraisal firm of recognized international standing appointed by the Company;

- all capital contributions (by way of transfer of cash or other property or any payment for property or services for the use of others or otherwise) to be made into a JV Subsidiary Guarantor from the date of the sale of existing Capital Stock or issuance of new Capital Stock as referred to above, shall be made directly or by contribution of assets or services having an equivalent Fair Market Value by (i) the Company and its Restricted Subsidiaries and (ii) such Independent Third Party that purchased or subscribed for Capital Stock in the JV Subsidiary Guarantor in proportion to their respective direct or indirect ownership percentages of the Capital Stock of such JV Subsidiary Guarantor;

- concurrently with providing the JV Subsidiary Guarantee, the Company shall or shall cause such JV Subsidiary Guarantor to deliver to the Trustee:

  (i) (A) a duly executed JV Subsidiary Guarantee of such JV Subsidiary Guarantor (the "JV Subsidiary Guarantee") and each Restricted Subsidiary of such JV Subsidiary Guarantor that is a Potential Subsidiary Guarantor, and (B) a duly executed supplemental indenture to the Indenture pursuant to which such JV Subsidiary Guarantor will guarantee the payment of the Notes, each of which provides, among other things, that the aggregate claims of the Trustee and the Holders under such JV Subsidiary Guarantee and all JV Subsidiary Guarantees provided by the Restricted Subsidiaries and shareholders of such JV Subsidiary Guarantor will be limited to the JV Entitlement Amount;

(ii) with respect to any such JV Subsidiary Guarantor that becomes a JV Subsidiary Guarantor prior to the Release Date, a duly executed Security Document that pledges in favor of the Collateral Agent the Capital Stock of such JV Subsidiary Guarantor held by the Company or any Subsidiary Guarantor, but not the Capital Stock of the direct or indirect Subsidiaries of such JV Subsidiary Guarantor;

(iii) an Officers' Certificate certifying a copy of the Board Resolution to the effect that such JV Subsidiary Guarantee has been approved by a majority of the disinterested members of the Board of Directors; and

(iv) a legal opinion by a law firm of recognized international standing confirming that under New York law such JV Subsidiary Guarantees are valid, binding and enforceable against the JV Subsidiary Guarantors providing such JV Subsidiary Guarantees (subject to customary qualifications and assumptions).

As of June 30, 2020, the Company and its consolidated subsidiaries had total consolidated indebtedness of approximately RMB320,332.8 million (US$45,340.2 million), of which approximately RMB288,651.3 million (US$40,855.9 million) was secured.

As of June 30, 2020, the Non-Guarantor Subsidiaries had total liabilities of approximately RMB847,082.5 million (US$119,896.7 million) and the Non-Guarantor Subsidiaries had capital commitments of approximately RMB152,172.0 million (US$21,538.5 million) and contingent liabilities of approximately RMB130,057.0 million (US$18,408.4 million).

As of the date of this offering memorandum, the principal amount of our total indebtedness secured by the Collateral that is subject to the Intercreditor Agreement is approximately US$8,518.4 million.

The Subsidiary Guarantee of each Subsidiary Guarantor:

- is a general obligation of such Subsidiary Guarantor;
- is effectively subordinated to secured obligations of such Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor (other than the Collateral);
- is senior in right of payment to all future obligations of such Subsidiary Guarantor expressly subordinated in right of payment to such Subsidiary Guarantee; and
- ranks at least *pari passu* with its Guarantee of the Existing Pari Passu Secured Indebtedness and all other unsecured, unsubordinated Indebtedness of such Subsidiary Guarantor (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law).

If any is provided, the JV Subsidiary Guarantee of each JV Subsidiary Guarantor:

- will be a general obligation of such JV Subsidiary Guarantor;
- will be enforceable only up to the JV Entitlement Amount;
- will be effectively subordinated to secured obligations of such JV Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor;
- will be limited to the JV Entitlement Amount, and will be senior in right of payment to all future obligations of such JV Subsidiary Guarantor expressly subordinated in right of payment to such JV Subsidiary Guarantee; and
- will be limited to the JV Entitlement Amount, and will rank at least *pari passu* with all other unsecured, unsubordinated Indebtedness of such JV Subsidiary Guarantor (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law).

The Company will cause (i) each of its future Restricted Subsidiaries (other than Persons organized under the laws of the PRC, the Exempted Subsidiaries or the Listed Subsidiaries), as soon as practicable (and in any event within 30 days) after it becomes a Restricted Subsidiary, (ii) an Exempted Subsidiary, as soon as practicable (and in any event within 30 days) after it ceases to be an Exempted Subsidiary, and (iii) a Listed Subsidiary, as soon as practicable (and in any event within 30 days) after such Listed Subsidiary ceases to be a Listed Subsidiary (entities in clause (i), (ii) and (iii), each a "Potential Subsidiary Guarantor") to execute and deliver to the Trustee a supplemental indenture to the Indenture pursuant to which such Potential Subsidiary Guarantor will Guarantee the payment of the Notes as either a Subsidiary Guarantor or a JV Subsidiary Guarantor. Notwithstanding the foregoing sentence, the Company may elect to have any Potential Subsidiary Guarantor organized outside the PRC not provide a Subsidiary Guarantee or a JV Subsidiary Guarantee (Restricted Subsidiaries (other than those organized under the laws of the PRC, the Exempted Subsidiaries and the Listed Subsidiaries) that do not provide a Subsidiary Guarantee or JV Subsidiary Guarantee in accordance with the Indenture, the "New Non-Guarantor Subsidiaries") at the time such entity becomes a Restricted Subsidiary or has ceased to be an Exempted Subsidiary or a Listed Subsidiary, as the case may be; *provided* that, after giving effect to the Consolidated Assets of such New Non-Guarantor Subsidiary, the Consolidated Assets of the Relevant Non-Guarantor Subsidiaries do not account for more than 25.0% of the Relevant Total Assets of the Company.

The Board of Directors may at any time remove the designation of any New Non-Guarantor Subsidiary or Existing Offshore Non-Guarantor Subsidiary by causing it to execute a supplemental indenture pursuant to which it will guarantee the Notes under a Subsidiary Guarantee in accordance with the provisions of the Indenture and delivering such supplemental indenture to the Trustee as a result of which it will become a Subsidiary Guarantor. Simultaneously with any such designation if and to the extent it occurs prior to the Release Date, the Company will cause all of the Capital Stock in Restricted Subsidiaries incorporated outside the PRC (other than a Non-Guarantor Subsidiary) owned directly by such Subsidiary Guarantor to be pledged to secure its Subsidiary Guarantee.

In the case of a Subsidiary Guarantor or a JV Subsidiary Guarantor with respect to which the Company or any of its Restricted Subsidiaries is proposing to sell, whether through the sale of existing shares or the issuance of new shares, no less than 20% of the Capital Stock of such Subsidiary Guarantor or a JV Subsidiary Guarantor, the Company may concurrently with the consummation of such sale or issuance of Capital Stock, (a) instruct the Trustee to release the Subsidiary Guarantees or the JV Subsidiary Guarantees provided by such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, and each of its Restricted Subsidiaries organized outside the PRC, and upon such release such Subsidiary Guarantor (or JV Subsidiary Guarantor, as the case may be) and its Restricted Subsidiaries organized outside the PRC will become New Non-Guarantor Subsidiaries (such that each New Non-Guarantor Subsidiary will no longer Guarantee the Notes) and (b) instruct the Collateral Agent to (i) discharge the pledge of the Capital Stock granted by each such New Non-Guarantor Subsidiary and (ii) discharge the pledge of Capital Stock made by the Company or any Subsidiary Guarantor over the shares it owns in each such New Non-Guarantor Subsidiary (in each case, without any requirement to seek the consent or approval of the Holders of the Notes), *provided* that after the release of such Subsidiary Guarantees or JV Subsidiary Guarantees, the Consolidated Assets of the Relevant Non-Guarantor Subsidiaries (including the New Non-Guarantor Subsidiaries) do not account for more than 25.0% of the Relevant Total Assets of the Company. A Subsidiary Guarantee of a Subsidiary Guarantor or a JV Subsidiary Guarantee of a JV Subsidiary Guarantor may only be released pursuant to this paragraph if as of the date of such proposed release, no document exists that is binding on the Company or any of the Restricted Subsidiaries that would have the effect of (a) prohibiting the Company or any of the Restricted Subsidiaries from releasing such Subsidiary Guarantee or JV Subsidiary Guarantee or (b) requiring the Company or such Subsidiary Guarantor or JV Subsidiary Guarantor to deliver or keep in place a guarantee of other Indebtedness of the Company by such Subsidiary Guarantor or JV Subsidiary Guarantor.

Although the Indenture contains limitations on the amount of additional Indebtedness that Restricted Subsidiaries may incur, the amount of such additional Indebtedness could be substantial. In the event of a bankruptcy, liquidation or reorganization of any Non-Guarantor Subsidiary, the Non-Guarantor Subsidiaries will pay the holders of their debt and their trade creditors before they will be able to distribute any of their assets to the Company.

Each Restricted Subsidiary that Guarantees the Notes after the Original Issue Date other than a JV Subsidiary Guarantor is referred to as a "Future Subsidiary Guarantor" and upon execution of the applicable supplemental indenture to the Indenture will be a "Subsidiary Guarantor."

In addition, subject to the limitations described in "Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral," the Subsidiary Guarantee of each Subsidiary Guarantor Pledgor will, prior to the Release Date:

- be entitled to a security interest in the Collateral (subject to any Permitted Liens, the Intercreditor Agreement and shared on a *pari passu* basis with the holders of the Existing Pari Passu Secured Indebtedness and any holders of Permitted Pari Passu Secured Indebtedness) pledged by such Subsidiary Guarantor Pledgor, as described below under the caption "— Security"; and

- rank effectively senior in right of payment to the unsecured obligations of such Subsidiary Guarantor Pledgor with respect to the value of the Collateral securing such Subsidiary Guarantee (subject to any priority rights of such unsecured obligations pursuant to applicable law).

The JV Subsidiary Guarantee of each JV Subsidiary Guarantor will not be secured.

Under the Indenture, and any supplemental indenture to the Indenture, as applicable, each of the Subsidiary Guarantors and JV Subsidiary Guarantors (if any) jointly and severally Guarantees the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes; *provided* that any JV Subsidiary Guarantee will be limited to the JV Entitlement Amount. The Subsidiary Guarantors and JV Subsidiary Guarantors have (1) agreed that their respective obligations under the Subsidiary Guarantees and JV Subsidiary Guarantees, as the case may be, will be enforceable irrespective of any invalidity, irregularity or unenforceability of the Notes or the Indenture and (2) waived their right to require the Trustee to pursue or exhaust its legal or equitable remedies against the Company prior to exercising its rights under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be. Moreover, if at any time any amount paid under a Note or the Indenture is rescinded or must otherwise be restored, the rights of the Holders under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be, will be reinstated with respect to such payment as though such payment had not been made. All payments under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be, are required to be made in U.S. dollars.

Under the Indenture, and any supplemental indenture to the Indenture, as applicable,

- each Subsidiary Guarantee is limited to an amount not to exceed the maximum amount that can be guaranteed by the applicable Subsidiary Guarantor without rendering the Subsidiary Guarantee, as it relates to such Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally; and

- each JV Subsidiary Guarantee will be limited to an amount which is the lower of (i) the JV Entitlement Amount and (ii) an amount not to exceed the maximum amount that can be guaranteed by the applicable JV Subsidiary Guarantor without rendering the JV Subsidiary Guarantee as it relates to such JV Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally.

If a Subsidiary Guarantee or JV Subsidiary Guarantee were to be rendered voidable, it could be subordinated by a court to all other Indebtedness (including guarantees and other contingent liabilities) of the applicable Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, and, depending on the amount of such Indebtedness, a Subsidiary Guarantor's liability on its Subsidiary Guarantee or a JV Subsidiary Guarantor's liability on its JV Subsidiary Guarantee, as the case may be, could in each case be reduced to zero.

The obligations of each Subsidiary Guarantor under its Subsidiary Guarantee and the enforceability of the Collateral granted in respect of the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors may be limited, or possibly invalid, under applicable laws. Similarly, the obligations of each JV Subsidiary Guarantor under its JV Subsidiary Guarantee may be limited, or possibly invalid, under applicable laws. See "Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral — The Subsidiary Guarantees or JV Subsidiary Guarantees may be challenged under applicable insolvency or fraudulent transfer laws, which could impair the enforceability of the Subsidiary Guarantees or JV Subsidiary Guarantees."

***Release of the Subsidiary Guarantees and JV Subsidiary Guarantees***

A Subsidiary Guarantee given by a Subsidiary Guarantor and a JV Subsidiary Guarantee given by a JV Subsidiary Guarantor may be released in certain circumstances, including:

- upon repayment in full of the Notes;
- upon a defeasance as described under "— Defeasance — Defeasance and Discharge";
- upon the designation by the Company of a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, as an Unrestricted Subsidiary in compliance with the terms of the Indenture;
- upon the sale of a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, in compliance with the terms of the Indenture (including the covenants under the captions "— Certain Covenants — Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries," "— Certain Covenants — Limitation on Asset Sales" and "— Consolidation, Merger and Sale of Assets") resulting in such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, no longer being a Restricted Subsidiary, so long as (1) such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, is simultaneously released from its obligations in respect of any of the Company's other Indebtedness or any Indebtedness of any other Restricted Subsidiary and (2) the proceeds from such sale or disposition are used for the purposes permitted or required by the Indenture;
- in the case of a Subsidiary Guarantee, upon the replacement of a Subsidiary Guarantee with a JV Subsidiary Guarantee; or
- in the case of a Subsidiary Guarantor that becomes a New Non-Guarantor Subsidiary, in compliance with the terms of the Indenture.

No release of a Subsidiary Guarantor from its Subsidiary Guarantee or a JV Subsidiary Guarantor from its JV Subsidiary Guarantee shall be effective against the Trustee or the Holders until the Company has delivered to the Trustee an Officers' Certificate stating that all requirements relating to such release have been complied with and such release is authorized and permitted by the terms of the Indenture.

***Replacement of Subsidiary Guarantees with JV Subsidiary Guarantees***

A Subsidiary Guarantee given by a Subsidiary Guarantor may be released following the sale or issuance by the Company or any of its Restricted Subsidiaries of Capital Stock in (a) such Subsidiary Guarantor or (b) any other Subsidiary Guarantor that, directly or indirectly, owns a majority of the Capital Stock of such Subsidiary Guarantor, in each case where such sale or issuance, whether through the sale of existing shares or the issuance of new shares, is for no less than 20.0% and no more than 49.9% of the issued Capital Stock of the relevant Subsidiary Guarantor; provided that the following conditions are satisfied or complied with:

- as of the date of such proposed release, no document exists that is binding on the Company or any of the Restricted Subsidiaries that would have the effect of (a) prohibiting the Company or any of the Restricted Subsidiaries from releasing such Subsidiary Guarantee, (b) prohibiting the Company or any of the Restricted Subsidiaries from providing such JV Subsidiary Guarantee, or (c) requiring the Company or any of the Restricted Subsidiaries to deliver or keep in force a replacement guarantee on terms that are more favorable to the recipients of such guarantee than the JV Subsidiary Guarantee;

- such sale or issuance of Capital Stock is made to an Independent Third Party at a consideration that is not less than the appraised value of such Capital Stock by an independent appraisal firm of recognized international standing appointed by the Company;

- all capital contributions (by way of transfer of cash or other property or any payment for property or services for the use of others or otherwise) to be made into a JV Subsidiary Guarantor from the date of the sale of existing Capital Stock or issuance of new Capital Stock as referred to above, shall be made directly or by contribution of assets or services having an equivalent Fair Market Value by (i) the Company and its Restricted Subsidiaries and (ii) such Independent Third Party that purchased or subscribed for Capital Stock in the JV Subsidiary Guarantor in proportion to their respective direct or indirect ownership percentages of the Capital Stock of such JV Subsidiary Guarantor;

- concurrently with the release of such Subsidiary Guarantee, the Company shall or shall cause such JV Subsidiary Guarantor to deliver to the Trustee:

  (i) (A) a duly executed JV Subsidiary Guarantee of such JV Subsidiary Guarantor and each Restricted Subsidiary of such JV Subsidiary Guarantor that is a Potential Subsidiary Guarantor and (B) a duly executed supplemental indenture to the Indenture pursuant to which such JV Subsidiary Guarantor will guarantee the payment of the Notes, each of which provides, among other things, that the aggregate claims of the Trustee and the Holders under such JV Subsidiary Guarantee and all JV Subsidiary Guarantees provided by the Restricted Subsidiaries and shareholders of such JV Subsidiary Guarantor will be limited to the JV Entitlement Amount;

  (ii) with respect to any such JV Subsidiary Guarantor that becomes a JV Subsidiary Guarantor prior to the Release Date, a duly executed Security Document that pledges in favor of the Collateral Agent the Capital Stock of such JV Subsidiary Guarantor held by the Company or any Subsidiary Guarantor, but not the Capital Stock of the direct or indirect Subsidiaries of such JV Subsidiary Guarantor;

  (iii) an Officers' Certificate certifying a copy of a Board Resolution to the effect that such JV Subsidiary Guarantee has been approved by a majority of the disinterested members of the Board of Directors; and

  (iv) a legal opinion by a law firm of recognized international standing confirming that under New York law such JV Subsidiary Guarantee is valid, binding and enforceable against the JV Subsidiary Guarantor providing such JV Subsidiary Guarantee (subject to customary qualifications and assumptions).

Notwithstanding the foregoing paragraph, any such sale or issuance of the Capital Stock of the relevant Subsidiary Guarantor (including where such sale results in the relevant Subsidiary Guarantor ceasing to be a Restricted Subsidiary) will need to comply with the other covenants set forth in the Indenture, including, without limitation, the "Limitation on Asset Sales" and "Limitation on Restricted Payments" covenants.

Any Net Cash Proceeds from the sale of such Capital Stock shall be applied by the Company (or any Restricted Subsidiary) in accordance with the "Limitation on Asset Sales" covenant.

As of the date of the Indenture, all of the Company's Subsidiaries other than the Existing Unrestricted Subsidiaries will be "Restricted Subsidiaries." However, under the circumstances described below under the caption "— Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries," the Company will be permitted to designate certain of its Subsidiaries as "Unrestricted Subsidiaries." The Company's Unrestricted Subsidiaries will generally not be subject to the restrictive covenants in the Indenture. The Company's Unrestricted Subsidiaries will not Guarantee the Notes.

**Security**

The Company and the initial Subsidiary Guarantor Pledgors have pledged in favor of the Collateral Agent the capital stock of all of the initial Subsidiary Guarantors owned by the Company or the Subsidiary Guarantor Pledgors (the "Collateral") (subject to Permitted Liens and *pari passu* sharing as described below) in order to secure the obligations of the Company under the debt agreements of the Existing Pari Passu Secured Indebtedness and of such Subsidiary Guarantor Pledgors under their respective subsidiary guarantees of the Existing Pari Passu Secured Indebtedness and the obligations of the Company or any Subsidiary Guarantor Pledgor under any Permitted Pari Passu Secured Indebtedness.

The Company has agreed to extend, or cause the initial Subsidiary Guarantor Pledgors to extend, as the case may be, the benefit of the security interests created over the Collateral to the Holders on the Original Issue Date in order to secure the obligations of the Company under the Notes and the Indenture and of such initial Subsidiary Guarantor Pledgors under their respective Subsidiary Guarantees. Upon the execution of the Intercreditor Agreement in the manner as described under "— Intercreditor Agreement", such security interests will be so extended.

The initial Subsidiary Guarantor Pledgors are Jujin Real Estate Investment Holdings Ltd., Ding Sheng Real Estate Investment Holdings Ltd. and Zhuo Yue Real Estate Investment Holdings Limited. None of the Capital Stock of the Non-Guarantor Subsidiaries will be pledged on the Original Issue Date or at any time in the future, *provided* that if the Company designates any of the Non-Guarantor Subsidiaries as a Subsidiary Guarantor or a JV Subsidiary Guarantor after the Original Issue Date but prior to the Release Date, the Capital Stock of such Subsidiary Guarantor or the Capital Stock (directly owned by the Company or any Subsidiary Guarantor) of such JV Subsidiary Guarantor, as the case may be, will be pledged, as soon as reasonably practicable (but in any event within 30 days) after such designation, to secure the obligations of the Company under the Notes and the Indenture, and of the Subsidiary Guarantors under the Subsidiary Guarantees, in the manner described above. In addition, subject to the foregoing sentence, none of the Capital Stock of any future Restricted Subsidiary that may be organized under the laws of the PRC or other Non-Guarantor Subsidiaries will be pledged at any time in the future. If any JV Subsidiary Guarantor is established prior to the Release Date, the Capital Stock of such JV Subsidiary Guarantor owned directly by the Company or any Subsidiary Guarantor will be pledged to secure the obligations of the Company under the Notes and the Indenture, and of such Subsidiary Guarantor under its Subsidiary Guarantee, as the case may be, in the manner described above. However, none of the JV Subsidiary Guarantors will provide a Security Document pledging the Capital Stock of its direct or indirect Subsidiaries as security in favor of the Trustee.

The Company has also agreed, for the benefit of the Holders, to pledge, or cause each Subsidiary Guarantor (other than a JV Subsidiary Guarantor, if any) to pledge, the Capital Stock directly owned by the Company or such Subsidiary Guarantor of (i) any Person that becomes a Restricted Subsidiary (other than Persons organized under the laws of the PRC or other Non-Guarantor Subsidiaries and their

respective Subsidiaries) after the Original Issue Date, as soon as practicable (but in any event within 30 days) after such Person becomes a Restricted Subsidiary, (ii) an Exempted Subsidiary that remains as a Restricted Subsidiary (other than the Listed Subsidiaries), as soon as practicable (but in any event within 30 days) after such Person ceases to be an Exempted Subsidiary or (iii) a Listed Subsidiary that remains a Restricted Subsidiary (other than Persons organized under the laws of the PRC and the Exempted Subsidiaries), as soon as practicable (but in any event within 30 days) after such Listed Subsidiary ceases to be a Listed Subsidiary, to secure (subject to Permitted Liens and the Intercreditor Agreement) the obligations of the Company under the Notes and the Indenture, and of such Subsidiary Guarantor under its Subsidiary Guarantee, in the manner described above. This paragraph shall cease to apply and cease to have any effect on the Release Date.

Each Subsidiary Guarantor that pledges Capital Stock of a Restricted Subsidiary after the Original Issue Date is referred to as a "Future Subsidiary Guarantor Pledgor" and, upon giving such pledge, will be a "Subsidiary Guarantor Pledgor."

In addition, the Company has agreed, for the benefit of the Holders, to pledge, or cause each Subsidiary Guarantor (other than a JV Subsidiary Guarantor, if any) to pledge, any Capital Stock of a Restricted Subsidiary (other than a Restricted Subsidiary organized under the laws of the PRC or other Non-Guarantor Subsidiaries or a Restricted Subsidiary owned directly by such Restricted Subsidiary) issued to, acquired, or otherwise obtained by the Company or such Subsidiary Guarantor after the Original Issue Date, promptly upon such Capital Stock being issued, acquired or otherwise obtained, to secure the obligations of the Company under the Notes and the Indenture, and of such Subsidiary Guarantor under its Subsidiary Guarantee. This paragraph shall cease to apply and cease to have any effect on the Release Date.

The value of the Collateral securing the Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors (as reduced by the obligations owed to other secured creditors under the Intercreditor Agreement) is unlikely to be sufficient to satisfy the Company's and each of the Subsidiary Guarantor Pledgors' obligations under the Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors (as reduced by the obligations owed to other secured creditors under the Intercreditor Agreement), and the Collateral securing the Notes and such Subsidiary Guarantee (as reduced by the obligations owed to other secured creditors under the Intercreditor Agreement) may be reduced or diluted under certain circumstances, including the issuance of Additional Notes and other Permitted Pari Passu Secured Indebtedness and the disposition of assets comprising the Collateral, subject to the terms of the Indenture. See "— Release of Security" and "Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral — The value of the Collateral is unlikely to be sufficient to satisfy our obligations under the Notes, the Existing Pari Passu Secured Indebtedness and the Permitted Pari Passu Secured Indebtedness."

DB Trustees (Hong Kong) Limited will initially act as the Trustee and the Collateral Agent under the Security Documents and the Intercreditor Agreement, in respect of the security over the Collateral. The Collateral Agent shall have such duties with respect to the Collateral as are set forth in the Indenture, the Intercreditor Agreement and the Security Documents. Under certain circumstances, the Trustee and the Collateral Agent may have obligations under the Security Documents or the Intercreditor Agreement that are in conflict with the interests of the Holders, the holders of the Existing Pari Passu Secured Indebtedness and the holders of the Permitted Pari Passu Secured Indebtedness.

No appraisals of the Collateral have been prepared in connection with this offering of the Notes. There can be no assurance that the proceeds of any sale of the Collateral, in whole or in part, pursuant to the Indenture and the Security Documents following an Event of Default (as reduced by the obligations owed to other secured creditors under the Intercreditor Agreement), would be sufficient to satisfy amounts due on the Notes or the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors. By its nature, some or all of the Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, there can be no assurance that the Collateral would be sold in a timely manner or at all.

So long as no Payment Default has occurred and is continuing, and subject to the terms of the Security Documents and the Indenture, the Company and the Subsidiary Guarantor Pledgors, as the case may be, will be entitled to exercise any and all voting rights and to receive, retain and use any and all cash dividends, stock dividends, liquidating dividends, non-cash dividends, shares or stock resulting from stock splits or reclassifications, rights issues, warrants, options and other distributions (whether similar or dissimilar to the foregoing) in respect of Capital Stock constituting Collateral.

***Permitted Pari Passu Secured Indebtedness***

On or after the Original Issue Date, the Company and each Subsidiary Guarantor Pledgor may create Liens on the Collateral *pari passu* with the Lien for the benefit of the Holders to secure Indebtedness of the Company or any Subsidiary Guarantor (including Additional Notes) and any *Pari Passu* Guarantee with respect to such Indebtedness (such Indebtedness of the Company or any Subsidiary Guarantor and any such *Pari Passu* Guarantee, "Permitted Pari Passu Secured Indebtedness"); *provided* that (1) the Company or such Subsidiary Guarantor was permitted to Incur such Indebtedness under the covenant under the caption "— Limitation on Indebtedness and Preferred Stock," (2) the holders of such Indebtedness (other than Additional Notes) (or their trustee, representative or agent) become party to the Intercreditor Agreement referred to below; and (3) the Company and such Subsidiary Guarantor Pledgor deliver to the Trustee and the Collateral Agent (as defined below) an Opinion of Counsel and an Officers' Certificate with respect to corporate and collateral matters in connection with the Security Documents, stating that either (x) all necessary actions have been taken with respect to the recording, registering and filing of the Security Documents, financing statements or other instruments necessary to make effective the Liens intended to be created by the Security Documents, and reciting the details of such action or (y) no such action is necessary to make such Lien effective. The Trustee and/or the Collateral Agent, as the case may be, will be permitted and authorized, without the consent of any Holder, to enter into any amendment to the Security Documents, the Intercreditor Agreement or the Indenture and take any other action necessary to permit the creation and registration of Liens on the Collateral to secure Permitted Pari Passu Secured Indebtedness in accordance with this paragraph and the terms of the Indenture (including, without limitation, the appointment of the Collateral Agent or any other collateral agent to hold the Collateral on behalf of the Holders, the holders of the Existing Pari Passu Secured Indebtedness and the holders of Permitted Pari Passu Secured Indebtedness).

Except for certain Permitted Liens and the Permitted Pari Passu Secured Indebtedness, the Company and its Restricted Subsidiaries will not be permitted to issue or incur any other Indebtedness secured by all or any portion of the Collateral without the consent of each Holder of the Notes then outstanding.

None of the Trustee, the Collateral Agent or any of their respective officers, directors, employees, attorneys or agents will be responsible or liable for the existence, genuineness, value or protection of any Collateral securing the Notes, for the legality, enforceability, effectiveness or sufficiency of the Security Documents or the Intercreditor Agreement, for the creation, perfection, continuation, priority, sufficiency or protection of any of the Liens, or for any defect or deficiency as to any such matters, or for any failure to demand, collect, foreclose or realize upon or otherwise enforce any of the Liens or Security Documents or any delay in doing so.

***Intercreditor Agreement***

(i) The Company, (ii) the initial Subsidiary Guarantor Pledgors, (iii) the Collateral Agent, (iv) DB Trustees (Hong Kong) Limited, as trustee with respect to the 2013 Notes and the 2012 Notes have entered into an intercreditor agreement dated as of April 5, 2013, to which DB Trustees (Hong Kong) Limited as trustee with respect to, among others, the August 2022 Notes, the July 2021 Notes, the April 2023 Notes, the October 2023 Notes, the June 2022 Notes, the February 2024 Notes, the January 2025 Notes, the July 2023 Notes, the July 2025 Notes, the August 2024 Notes and the January 2026 Notes, acceded to on the respective issue dates, including August 8, 2017, April 19, 2018, April 19, 2018, April 11, 2019, June 14, 2019, November 1, 2019, January 10, 2020, July 9, 2020, July 9, 2020, August 3, 2020 and January 26, 2021, respectively, and to which the 2019 CCB Facility Agent with respect to the 2019 CCB Facilities acceded on August 20, 2019, and to which the Trustee acceded on the Original Issue Date (as so amended,

supplemented or modified from time to time, the "Intercreditor Agreement"), pursuant to which the parties thereto agree that (1) the secured parties thereto and the holders of any future Permitted Pari Passu Secured Indebtedness (or their trustee, representative or agent) will share equal priority and pro rata entitlement in and to the Collateral; (2) the Collateral shall only be substituted or released and Liens only be granted on the Collateral to the extent permitted under the Debt Documents; (3) holders of any future Permitted Pari Passu Secured Indebtedness (or their respective trustees, representatives or agents) that are secured by the Collateral shall also appoint the Collateral Agent to act as their collateral agent with respect to the Collateral; and (4) the conditions under which the Collateral Agent shall enforce the rights of the secured parties thereto with respect to the Collateral and the Indebtedness secured thereby as described in "— Enforcement of Security" below.

Prior to the Incurrence of any Permitted Pari Passu Secured Indebtedness (other than Additional Notes), the holders of such Permitted Pari Passu Secured Indebtedness (or their representative, trustee or agent) will accede to the Intercreditor Agreement to include the holders (or their representatives, trustees or agents) of such Permitted Pari Passu Secured Indebtedness as parties to the Intercreditor Agreement.

By accepting the Notes, each Holder shall be deemed to have consented to the execution of the Intercreditor Agreement, any amendments or modifications thereto, any accession thereto by any holder of Permitted Pari Passu Secured Indebtedness and any future intercreditor agreement required under the Indenture.

***Enforcement of Security***

The Liens (subject to any Permitted Lien and the Intercreditor Agreement) securing the Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors will be granted to the Collateral Agent. DB Trustees (Hong Kong) Limited will act as the initial Collateral Agent under the Security Documents. The Collateral Agent, subject to the Intercreditor Agreement, will hold such Liens over the Collateral granted pursuant to the Security Documents with sole authority as directed by the written instruction of the Creditor Representatives (as defined herein) to exercise remedies under the Security Documents (subject to the terms of the Intercreditor Agreement). The Collateral Agent has agreed to act as secured party on behalf of the creditors under the Debt Documents (as defined herein) under the applicable Security Documents, to follow the instructions provided to it by one or more of the Creditor Representatives under the Indenture, the Security Documents and/or the Intercreditor Agreement and to carry out certain other duties. The Trustee will give instructions to the Collateral Agent by itself or in accordance with instructions it receives from the Holders under the Indenture.

The Intercreditor Agreement will provide that the Collateral Agent will enforce the Collateral in accordance with a written instruction by any Creditor Representative to do so if it does not receive any conflicting instruction, and in the case of conflicting instructions delivered by two or more Creditor Representatives, the Collateral Agent will only enforce the Collateral upon receiving written instructions from the Majority Creditors.

All payments received and all amounts held by the Collateral Agent in respect of the Collateral under the Security Documents will be, subject to the Intercreditor Agreement, applied as follows:

*first*, to the Collateral Agent to the extent necessary to reimburse the Collateral Agent for any expenses (including reasonable expenses of its counsel) incurred in connection with the collection or distribution of such amounts held or realized or in connection with expenses incurred in enforcing all available remedies under the Intercreditor Agreement and the Security Documents and preserving the Collateral and all amounts for which the Collateral Agent is entitled to indemnification under the Intercreditor Agreement and the Security Documents;

*second*, to the extent not reimbursed under the above paragraph, to the Trustee, the Agents (as defined under the caption "Concerning the Collateral Agent, the Trustee and the Paying Agent"), the trustee for, and the agents relating to, the Existing Pari Passu Secured Indebtedness and other Creditor

Representatives, to the extent necessary to reimburse the foregoing persons ratably for any expenses (including reasonable expenses of counsel) incurred in connection with the collection or distribution of such amounts held or realized or in connection with expenses incurred in enforcing all available remedies under the Debt Documents, the Intercreditor Agreement and the Security Documents and preserving the Collateral and all amounts for which the foregoing persons are entitled to indemnification under the Debt Documents, the Intercreditor Agreement and the Security Documents;

*third*, ratably to each of the Trustee for the benefit of the Holders, each trustee or agent for each series of the Existing Pari Passu Secured Indebtedness for the benefit of the holders of such series of the Existing Pari Passu Secured Indebtedness to satisfy outstanding obligations under the Notes and the Indenture, the Existing Pari Passu Secured Indebtedness and the debt agreements of the Existing Pari Passu Secured Indebtedness and, to the extent applicable, to other Creditor Representatives for the benefit of the holders of any Permitted Pari Passu Secured Indebtedness to satisfy outstanding obligations thereunder (in each case, to the extent not paid pursuant to the paragraphs above), in accordance with the terms of the relevant Debt Documents; and

*fourth*, any surplus remaining after such payments will be paid to the Company, the Subsidiary Guarantor Pledgors or to whomever may be lawfully entitled thereto.

Subject to the Intercreditor Agreement, all payments received by the Trustee pursuant to the Intercreditor Agreement or otherwise and all amounts held by the Trustee will be applied as follows:

- first, payment to the Trustee, the Agents and any attorney or agent appointed under the Indenture, for any unpaid fees, costs and expenses properly incurred by it;

- second, payment to the Trustee for the benefit of the holders of the Notes, ratably (including the principal, interest and premium thereon); and

- third, any surplus remaining after such payments will be paid to the Company or the Subsidiary Guarantors or to whomever may be lawfully entitled thereto.

The Collateral Agent may refrain from acting in accordance with the instructions of the Holders, the holders for the Existing Pari Passu Secured Indebtedness and the holders of the Permitted Pari Passu Secured Indebtedness and may decline to expend its own funds, foreclose on the Collateral or exercise remedies available if it does not receive indemnification and/or security to its satisfaction. In addition, the Collateral Agent's ability to foreclose on the Collateral may be subject to lack of perfection, the consent of third parties, prior Liens and practical problems associated with the realization of the Collateral Agent's Liens on the Collateral. Neither the Trustee, the Collateral Agent nor any of their respective officers, directors, employees, attorneys or agents will be responsible or liable for the existence, genuineness, value or protection of any Collateral securing the Notes, for the legality, enforceability, effectiveness or sufficiency of the Security Documents or the Intercreditor Agreement, for the creation, perfection, continuation, priority, sufficiency or protection of any of the Liens, or for any defect or deficiency as to any such matters, or for any failure to demand, collect, foreclose or realize upon or otherwise enforce any of the Liens or Security Documents or any delay in doing so.

The Security Documents provide that the Company and the Subsidiary Guarantor Pledgors will indemnify the Collateral Agent for all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind (including reasonable expenses of its counsel) imposed against the Collateral Agent arising out of the Intercreditor Agreement, or the Security Documents except to the extent that any of the foregoing are finally judicially determined to have resulted from the fraud, gross negligence or willful misconduct of the Collateral Agent.

This section, "— Enforcement of Security," shall be subject to any amendments to the Security Documents, the Intercreditor Agreement or the Indenture to permit the creation of Liens on the Collateral to secure Permitted Pari Passu Secured Indebtedness in accordance with "— Permitted Pari Passu Secured Indebtedness" above.

***Release of Security***

The security created in respect of the Collateral granted under the Security Documents with respect to the Notes may be released in certain circumstances, including:

- upon repayment in full of the Notes;
- upon defeasance and discharge of the Notes as provided below under the caption "— Defeasance — Defeasance and Discharge";
- upon certain dispositions of the Collateral in compliance with the covenants under the captions "— Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries" or "— Limitation on Asset Sales" or in accordance with the provision under the caption "— Consolidation, Merger and Sale of Assets";
- with respect to security granted by a Subsidiary Guarantor Pledgor, upon the release of the Subsidiary Guarantee of such Subsidiary Guarantor Pledgor in accordance with the terms of the Indenture;
- in connection with and upon execution of a JV Subsidiary Guarantee to replace a Subsidiary Guarantee, with respect to all pledges of Capital Stock granted by such JV Subsidiary Guarantor (or its Subsidiaries) in its direct and indirect Subsidiaries, and in accordance with the terms of the Indenture;
- with respect to any pledge over any Capital Stock of any Subsidiary Guarantor or JV Subsidiary Guarantor, upon the release of the Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, of such Subsidiary Guarantor or JV Subsidiary Guarantor, and in accordance with the terms of the Indenture;
- with respect to any pledge over any Capital Stock of any Subsidiary Guarantor or JV Subsidiary Guarantor, upon the designation by the Company of (i) such Subsidiary Guarantor or JV Subsidiary Guarantor, or (ii) the Subsidiary Guarantor Pledgor pledging the Capital Stock of such Subsidiary Guarantor or JV Subsidiary Guarantor, as an Unrestricted Subsidiary, and in accordance with the terms of the Indenture; and
- with respect to the Collateral, at any time after the date on which no outstanding Indebtedness other than the Notes is secured by the Collateral (the "Release Date"); provided that, no Default has occurred and is continuing on such date.

**Further Issues**

Subject to the covenants described below and in accordance with the terms of the Indenture, the Company may, from time to time, without notice to or the consent of the Holders, create and issue Additional Notes having the same terms and conditions as the Notes (including the benefit of the Subsidiary Guarantees and JV Subsidiary Guarantees) in all respects (or in all respects except for the issue date, issue price and the date and/or amount of the first payment of interest on them and, to the extent necessary, certain temporary securities law transfer restrictions) (a "Further Issue") so that such Additional Notes may be consolidated and form a single class with the previously outstanding Notes and vote together as one class on all matters with respect to the Notes; provided that the issuance of any such Additional Notes shall then be permitted under the "Limitation on Indebtedness and Preferred Stock" covenant described below.

**Optional Redemption**

At any time and from time to time on or after January 26, 2023, the Company may redeem the Notes, in whole or in part, at a redemption price equal to 102% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time prior to January 26, 2023, the Company may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. The Company will give not less than 30 days' nor more than 60 days' notice of any redemption to the Holders and the Trustee.

At any time and from time to time prior to January 26, 2023, the Company may redeem up to 35% of the aggregate principal amount of the Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Company in an Equity Offering at a redemption price of 105.95% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date; *provided* that at least 65% of the aggregate principal amount of the Notes originally issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

***Selection and Notice***

The Company will give not less than 30 days' nor more than 60 days' notice of any redemption to the Holders and the Trustee. If less than all of the Notes are to be redeemed at any time, the Notes for redemption will be selected as follows:

(1) if the Notes are listed on any securities exchange and/or are held through a clearing system, in compliance with the requirements of the principal national securities exchange on which the Notes are listed and/or the requirements of the clearing system; or

(2) if the Notes are not listed on any securities exchange and are not held through clearing systems, on a pro rata basis, by lot or by such method as the Trustee in its sole and absolute discretion deems fair and appropriate unless otherwise required by law.

A Note of US$200,000 in principal amount or less shall not be redeemed in part. If any Note is to be redeemed in part only, the notice of redemption relating to such Note will state the portion of the principal amount to be redeemed. A new Note in principal amount equal to the unredeemed portion will be issued upon cancellation of the original Note. On and after the redemption date, interest will cease to accrue on Notes or portions of them called for redemption.

**Repurchase of Notes Upon a Change of Control Triggering Event**

Not later than 30 days following a Change of Control Triggering Event, the Company will make an Offer to Purchase all outstanding Notes (a "Change of Control Offer") at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to (but not including) the Offer to Purchase Payment Date.

The Company has agreed in the Indenture that it will timely repay all Indebtedness or obtain consents as necessary under, or terminate, agreements or instruments that would otherwise prohibit a Change of Control Offer required to be made pursuant to the Indenture. Notwithstanding this agreement of the Company, it is important to note that if the Company is unable to repay (or cause to be repaid) all of the Indebtedness, if any, that would prohibit repurchase of the Notes or is unable to obtain the requisite consents of the holders of such Indebtedness, or terminate any agreements or instruments that would otherwise prohibit a Change of Control Offer, it would continue to be prohibited from purchasing the Notes. In that case, the Company's failure to purchase tendered Notes would constitute an Event of Default under the Indenture.

Certain of the events constituting a Change of Control Triggering Event under the Notes will also constitute an event of default under certain debt instruments of the Company and its Subsidiaries. Future debt of the Company may also (1) prohibit the Company from purchasing Notes in the event of a Change of Control Triggering Event; (2) provide that a Change of Control Triggering Event is a default; or (3) require repurchase of such debt upon a Change of Control Triggering Event. Moreover, the exercise by the Holders of their right to require the Company to purchase the Notes could cause a default under other Indebtedness, even if the Change of Control Triggering Event itself does not, due to the financial effect of the purchase on the Company. The Company's ability to pay cash to the Holders following the occurrence of a Change of Control Triggering Event may be limited by the Company's and the Subsidiary Guarantors' then-existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make the required purchase of the Notes. See "Risk Factors — Risks Relating to the Notes and this Offering — We may not be able to repurchase the Notes upon a Change of Control Triggering Event."

The phrase "all or substantially all," as used with respect to the assets of the Company in the definition of "Change of Control," will likely be interpreted under applicable law of the relevant jurisdictions and will be dependent upon particular facts and circumstances. As a result, there may be a degree of uncertainty in ascertaining whether a sale or transfer of "all or substantially all" the assets of the Company has occurred.

Except as described above with respect to a Change of Control Triggering Event, the Indenture does not contain provisions that permit the Holders to require that the Company purchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

***No Mandatory Redemption or Sinking Fund***

There will be no mandatory redemption or sinking fund payments for the Notes.

**Additional Amounts**

All payments of principal of, and premium (if any) and interest on the Notes or under the Subsidiary Guarantees and JV Subsidiary Guarantees will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or within any jurisdiction in which the Company, a Surviving Person (as defined under the caption "— Consolidation, Merger and Sale of Assets") or an applicable Subsidiary Guarantor or JV Subsidiary Guarantor is organized or resident for tax purposes or any political subdivision or taxing authority thereof or therein, including, without limitation, if applicable, the PRC (each, as applicable, a "Relevant Taxing Jurisdiction"), or the jurisdiction or any political subdivision or taxing authority thereof

or therein through which payments are made (each, as applicable and with each Relevant Taxing Jurisdiction, a "Relevant Jurisdiction"), unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. In the event that any such withholding or deduction is so required, the Company, a Surviving Person or the applicable Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, will pay such additional amounts ("Additional Amounts") as will result in receipt by the Holder of each Note, of such amounts as would have been received by such Holder had no such withholding or deduction been required, except that no Additional Amounts shall be payable:

(1) for or on account of:

(a) any tax, duty, assessment or other governmental charge that would not have been imposed but for:

(i) the existence of any present or former connection between the Holder or beneficial owner of such Note, and the Relevant Jurisdiction, other than merely holding such Note or the receipt of payments thereunder or under a Subsidiary Guarantee or JV Subsidiary Guarantee, including, without limitation, such Holder or beneficial owner being or having been a national, domiciliary or resident of such Relevant Jurisdiction or treated as a resident thereof or being or having been physically present or engaged in a trade or business therein or having or having had a permanent establishment therein;

(ii) the presentation of such Note (in cases in which presentation is required) more than 30 days after the later of the date on which the payment of the principal of, premium, if any, and interest on, such Note became due and payable pursuant to the terms thereof or was made or duly provided for, except to the extent that the Holder thereof would have been entitled to such Additional Amounts if it had presented such Note for payment on any date within such 30-day period;

(iii) the failure of the Holder or beneficial owner to comply with a timely request of the Company, a Surviving Person, any Subsidiary Guarantor or any JV Subsidiary Guarantor, addressed to the Holder, to provide information concerning such Holder's or beneficial owner's nationality, residence, identity or connection with any Relevant Jurisdiction, if and to the extent that due and timely compliance with such request is required under the tax laws of such jurisdiction in order to reduce or eliminate any withholding or deduction as to which Additional Amounts would have otherwise been payable to such Holder; or

(iv) the presentation of such Note (in cases in which presentation is required) for payment in the Relevant Jurisdiction, unless such Note could not have been presented for payment elsewhere;

(b) any estate, inheritance, gift, sale, transfer, personal property or similar tax, assessment or other governmental charge;

(c) any tax, assessment, withholding or deduction required by sections 1471 through 1474 of the Internal Revenue Code of 1986, as amended ("FATCA"), any current or future Treasury Regulations or rulings promulgated thereunder, any intergovernmental agreement between the United States and any other jurisdiction to implement FATCA, any law, regulation or other official guidance enacted in any jurisdiction implementing FATCA, or any agreement with the U.S. Internal Revenue Service under FATCA; or

(d) any combination of taxes, duties, assessments or other governmental charges referred to in the preceding clauses (a), (b) and (c); or

(2) to a Holder that is a fiduciary, partnership or person other than the sole beneficial owner of any payment to the extent that such payment would be required to be included in the income under the laws of a Relevant Jurisdiction, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, or a member of that partnership or a beneficial owner who would not have been entitled to such Additional Amounts had that beneficiary, settlor, member or beneficial owner been the Holder thereof.

Whenever there is mentioned in any context the payment of principal of, and any premium or interest on, any Note or under any Subsidiary Guarantee or JV Subsidiary Guarantee, such mention shall be deemed to include payment of Additional Amounts provided for in the Indenture to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

**Redemption for Taxation Reasons**

The Notes may be redeemed, at the option of the Company or a Surviving Person with respect to the Company, as a whole but not in part, upon giving not less than 30 days' nor more than 60 days' notice to the Holders (which notice shall be irrevocable) and upon reasonable notice in advance of such notice to Holders to the Trustee and the Paying Agent, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to the date fixed by the Company or the Surviving Person, as the case may be, for redemption (the "Tax Redemption Date") if, as a result of:

(1) any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction affecting taxation; or

(2) any change in the existing official position or the stating of an official position regarding the application or interpretation of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction),

which change or amendment is proposed and becomes effective (i) with respect to the Company or any initial Subsidiary Guarantor, on or after the Original Issue Date, or (ii) with respect to any Future Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person, on or after the date such Future Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person becomes a Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person, with respect to any payment due or to become due under the Notes or the Indenture, the Company, a Surviving Person, a Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, is, or on the next Interest Payment Date would be, required to pay Additional Amounts, and such requirement cannot be avoided by the taking of reasonable measures by the Company, a Surviving Person, a Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be; *provided* that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Company, a Surviving Person, a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, would be obligated to pay such Additional Amounts if a payment in respect of the Notes were then due.

Prior to the mailing of any notice of redemption of the Notes pursuant to the foregoing, the Company, a Surviving Person, a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, will deliver to the Trustee at least 30 days but not more than 60 days before the Tax Redemption Date:

(1) an Officers' Certificate stating that such change or amendment referred to in the prior paragraph has occurred, describing the facts related thereto and stating that such requirement cannot be avoided by the Company, such Surviving Person, Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, taking reasonable measures available to it; and

(2) an Opinion of Counsel or an opinion of a tax consultant, in either case of recognized standing with respect to tax matters of the Relevant Taxing Jurisdiction, stating that the requirement to pay such Additional Amounts results from such change or amendment referred to in the prior paragraph.

The Trustee shall accept and conclusively rely such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, in which event it shall be conclusive and binding on the Holders.

Any Notes that are redeemed will be cancelled.

**Certain Covenants**

Set forth below are summaries of certain covenants contained in the Indenture.

***Limitation on Indebtedness and Preferred Stock***

(1) The Company will not, and will not permit any Restricted Subsidiary to, Incur any Indebtedness (including Acquired Indebtedness), and the Company will not permit any Restricted Subsidiary to issue Preferred Stock, provided that the Company or any Subsidiary Guarantor may Incur Indebtedness (including Acquired Indebtedness) and any Restricted Subsidiary (other than a Subsidiary Guarantor) may Incur Permitted Subsidiary Indebtedness if, after giving effect to the Incurrence of such Indebtedness or Permitted Subsidiary Indebtedness and the receipt and application of the proceeds therefrom, (x) no Default has occurred and is continuing and (y) the Fixed Charge Coverage Ratio would be not less than 2.0 to 1.0. Notwithstanding the foregoing, the Company will not permit any Restricted Subsidiary to Incur any Disqualified Stock (other than Disqualified Stock held by the Company or a Subsidiary Guarantor, so long as it is so held).

(2) Notwithstanding the foregoing, the Company and, to the extent provided below, any Restricted Subsidiary may Incur each and all of the following ("Permitted Indebtedness"):

(a) Indebtedness under the Notes (excluding any Additional Notes and any Permitted Pari Passu Secured Indebtedness of the Company) and each Subsidiary Guarantee and JV Subsidiary Guarantee;

(b) any Pari Passu Guarantees;

(c) Indebtedness of the Company or any Restricted Subsidiary outstanding on the Original Issue Date excluding Indebtedness permitted under clause (d); *provided* that such Indebtedness of Restricted Subsidiaries (other than the Subsidiary Guarantors) shall be included in the calculation of Permitted Subsidiary Indebtedness (other than any such Indebtedness described in clauses (d), (f), (g) and (m) below);

(d) Indebtedness of the Company or Indebtedness or Preferred Stock of any Restricted Subsidiary owed to or held by the Company or any Restricted Subsidiary; *provided* that (i) any event which results in any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any subsequent transfer of such Indebtedness (other than to the Company or any Restricted Subsidiary) shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (d) and (ii) if the Company is the obligor on such Indebtedness and none of the Subsidiary Guarantors and JV Subsidiary Guarantors are the obligee, such Indebtedness must be unsecured and expressly be subordinated in right of payment to the Notes, and if a Subsidiary Guarantor or a JV Subsidiary Guarantor is the obligor on such Indebtedness and neither the Company nor any Subsidiary Guarantor or JV Subsidiary Guarantor is the obligee, such Indebtedness must be unsecured and expressly be subordinated in right of payment to the Subsidiary Guarantee of such Subsidiary Guarantor or the JV Subsidiary Guarantee of such JV Subsidiary Guarantor, as the case may be; *provided further* that, any Preferred Stock issued by a Subsidiary Guarantor and held by the Company or another Restricted Subsidiary must by the terms thereof or by operation of law be subordinated in right of payment to the Subsidiary Guarantee of such Subsidiary Guarantor;

(e) Indebtedness ("Permitted Refinancing Indebtedness") issued in exchange for, or the net proceeds of which are used to refinance, refund, replace, exchange, renew, repay, defease, discharge or extend (collectively, "refinance" and "refinances" and "refinanced" shall have a correlative meaning), then outstanding Indebtedness (or Indebtedness that is no longer outstanding but that is refinanced substantially concurrently with the Incurrence of such Permitted Refinancing Indebtedness) Incurred under the immediately preceding paragraph (1) or clause (a), (b), (c), (h), (p), (q), (r), (s), (v), (w) or (z) of this paragraph (2) and any refinancings thereof in an amount not to exceed the amount so refinanced (plus premiums, accrued interest, fees and expenses); *provided* that (i) Indebtedness the proceeds of which are used to refinance the Notes or Indebtedness that is *pari passu* with, or subordinated in right of payment to, the Notes or a Subsidiary Guarantee or a JV Subsidiary Guarantee shall only be permitted under this clause (e) if (A) in case the Notes are refinanced in part or the Indebtedness to be refinanced is *pari passu* with the Notes or a Subsidiary Guarantee or a JV Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is outstanding, is expressly made *pari passu* with, or subordinate in right of payment to, the remaining Notes or such Subsidiary Guarantee or such JV Subsidiary Guarantee, as the case may be, or (B) in case the Indebtedness to be refinanced is subordinated in right of payment to the Notes or a Subsidiary Guarantee or a JV Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made subordinate in right of payment to the Notes or such Subsidiary Guarantee or such JV Subsidiary Guarantee, as the case may be, at least to the extent that the Indebtedness to be refinanced is subordinated to the Notes or such Subsidiary Guarantee or such JV Subsidiary Guarantee, (ii) such new Indebtedness, determined as of the date of Incurrence of such new Indebtedness, does not mature prior to the Stated Maturity of the Indebtedness to be refinanced, and the Average Life of such new Indebtedness is at least equal to the remaining Average Life of the Indebtedness to be refinanced, (iii) in no event may Indebtedness of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor be refinanced pursuant to this clause by means of any Indebtedness of any Restricted Subsidiary that is not a Subsidiary Guarantor or a JV Subsidiary Guarantor, and (iv) in no event may Indebtedness of the Company or any Subsidiary Guarantor be refinanced pursuant to this clause by means of any Indebtedness of any JV Subsidiary Guarantor (*provided* that this sub-clause (iv) shall not prohibit the replacement of a Subsidiary Guarantee by a JV Subsidiary Guarantee if otherwise permitted by the Indenture);

(f) Indebtedness Incurred by the Company or any Restricted Subsidiary pursuant to Hedging Obligations (i) entered into in the ordinary course of business and designed solely to protect the Company or any of its Restricted Subsidiaries from fluctuations in interest rates, currencies or the price of commodities and not for speculation or (ii) designed to reduce or manage interest expenses;

(g) Pre-Registration Mortgage Guarantees by the Company or any Restricted Subsidiary;

(h) Indebtedness Incurred by the Company or any Restricted Subsidiary for the purpose of financing or refinancing (x) all or any part of the purchase price of assets, real or personal property (including the lease purchase price of land use rights) or equipment to be used in the ordinary course of business by the Company or a Restricted Subsidiary, including any such purchase through the acquisition of Capital Stock of any Person that owns such real or personal property or equipment which will, upon acquisition, become a Restricted Subsidiary, or (y) all or any part of the purchase price or the cost of development, construction or improvement of real or personal property (including the lease purchase price of land use rights) or equipment to be used in the ordinary course of business by the Company or such Restricted Subsidiary; *provided* that in the case of clauses (x) and (y), (A) the aggregate principal amount of such Indebtedness shall not exceed such purchase

price or cost, (B) such Indebtedness shall be Incurred no later than 180 days after the acquisition of such property or completion of such development, construction or improvement and (C) on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate principal amount outstanding of all such Indebtedness permitted by this clause (h) (together with any refinancings thereof, but excluding any Contractor Guarantees or Guarantees Incurred under this clause (h) to the extent the amount of such Contractor Guarantees or Guarantees is otherwise reflected in such aggregate principal amount) plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred under clauses (p), (q), (r), (s), (w), (x) and (z) below (together with any refinancings thereof, but excluding any Contractor Guarantees or Guarantees Incurred under clauses (p), (q), (r), (s), (w), (x) and (z) below to the extent the amount of such Contractor Guarantees or Guarantees Incurred is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 35% of Total Assets;

(i) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting reimbursement obligations with respect to workers' compensation claims or self-insurance obligations or bid, performance or surety bonds (in each case other than for an obligation for borrowed money);

(j) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting reimbursement obligations with respect to letters of credit, trade guarantees or similar instruments issued in the ordinary course of business to the extent that such letters of credit, trade guarantees or similar instruments are not drawn upon or, if drawn upon, to the extent such drawing is reimbursed no later than the 30 days following receipt by the Company or such Restricted Subsidiary of a demand for reimbursement;

(k) Indebtedness arising from agreements providing for indemnification, adjustment of purchase price or similar obligations, or from Guarantees or letters of credit, surety bonds or performance bonds securing any obligation of the Company or any Restricted Subsidiary pursuant to such agreements, in any case, Incurred in connection with the disposition of any business, assets or Restricted Subsidiary, other than Guarantees of Indebtedness Incurred by any Person acquiring all or any portion of such business, assets or Restricted Subsidiary for the purpose of financing such acquisition; *provided* that the maximum aggregate liability in respect of all such Indebtedness in the nature of such Guarantee shall at no time exceed the gross proceeds actually received from the sale of such business, assets or Restricted Subsidiary;

(l) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business provided, that such Indebtedness is extinguished within five Business Days of Incurrence;

(m) Guarantees by the Company or any Restricted Subsidiary of Indebtedness of the Company or any Restricted Subsidiary that was permitted to be Incurred by another provision of this covenant, subject to the "Limitation on Issuances of Guarantees by Restricted Subsidiaries" covenant;

(n) Indebtedness of the Company or any Restricted Subsidiary maturing in one year or less; *provided* that the aggregate principal amount of Indebtedness permitted by this clause (n) at any time outstanding does not exceed 3% of Total Assets;

(o) Indebtedness of the Company or any Restricted Subsidiary constituting an obligation to pay the deferred purchase price of Capital Stock in a Person pursuant to a Staged Acquisition Agreement, to the extent that such deferred purchase price is paid within 12 months after the date the Company or such Restricted Subsidiary enters into such Staged Acquisition Agreement;

(p) Indebtedness Incurred or Preferred Stock issued by the Company or any Restricted Subsidiary arising from any Investment made by a Trust Company Investor in a Restricted Subsidiary; *provided* that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (p) together with any refinancings thereof, but excluding any Contractor Guarantees or Guarantees Incurred under this clause (p) to the extent the amount of such Contractor Guarantees or Guarantees is otherwise reflected in such aggregate principal amount) plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred under clause (h) above and clauses (q), (r), (s), (w), (x) and (z) below (together with any refinancings thereof, but excluding any Contractor Guarantees or Guarantees Incurred under clause (h) above and clauses (q), (r), (s), (w), (x) and (z) below to the extent the amount of such Contractor Guarantees or Guarantees is otherwise reflected in such aggregate principal amount), does not exceed an amount equal to 35% of Total Assets;

(q) Bank Deposit Secured Indebtedness Incurred by the Company or any Restricted Subsidiary; *provided* that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (q) (together with any refinancings thereof, but excluding any Guarantees Incurred under this clause (q) to the extent the amount of such Guarantees is otherwise reflected in such aggregate principal amount), plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred pursuant to clauses (h) and (p) above and clauses (r), (s), (w), (x) and (z) below (together with any refinancings thereof, but excluding any Contractor Guarantees or Guarantees Incurred under clauses (h) and (p) above and clauses (r), (s), (w), (x) and (z) below to the extent the amount of such Contractor Guarantees or Guarantees is otherwise reflected in such aggregate principal amount), does not exceed an amount equal to 35% of Total Assets;

(r) (x) Indebtedness Incurred by the Company or any Restricted Subsidiary which is secured by Investment Properties or fixed assets, and Guarantees thereof by the Company or any Restricted Subsidiary or (y) Indebtedness Incurred by the Company or any Restricted Subsidiary in the form of Capitalized Lease Obligations or Attributable Indebtedness with respect to a Sale and Leaseback Transaction that would otherwise be permitted under the covenant entitled "Limitation on Sale and Leaseback Transactions"; *provided* that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (r) (together with any refinancings thereof, but excluding any Guarantees Incurred under this clause (r) to the extent the amount of such Guarantees is otherwise reflected in such aggregate principal amount), plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred pursuant to clauses (h), (p) and (q) above and clauses (s), (w), (x) and (z) below (together with any refinancings thereof, but excluding any Contractor Guarantees or Guarantees Incurred under clauses (h), (p) and (q) above and clauses (s), (w), (x) and (z) below to the extent the amount of such Contractor Guarantees or Guarantees is otherwise reflected in such aggregate principal amount), does not exceed an amount equal to 35% of Total Assets;

(s) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting a Guarantee of any Indebtedness of any Person by the Company or such Restricted Subsidiary; *provided* that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (s) (together with any refinancings thereof), plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred pursuant to clauses (h), (p), (q) and (r) above and clauses (w), (x) and (z) below (together with any refinancings thereof, but excluding any Contractor Guarantees or Guarantees Incurred under clauses (h), (p), (q) and (r) above and clauses (w), (x) and (z) below to the extent the amount of such Contractor Guarantees or Guarantees is otherwise reflected in such aggregate principal amount), does not exceed an amount equal to 35% of Total Assets;

(t) Indebtedness Incurred by the Company constituting a Subordinated Shareholder Loan;

(u) Indebtedness Incurred by a Finance Subsidiary that is guaranteed by the Company to the extent the Company is permitted to incur such Indebtedness under this covenant;

(v) Indebtedness of the Company or any Restricted Subsidiary in an aggregate principal amount outstanding at any time (together with refinancings thereof) not to exceed US$50.0 million (or the Dollar Equivalent thereof);

(w) Acquired Indebtedness of any Restricted Subsidiary Incurred and outstanding on the date on which such Restricted Subsidiary became a Restricted Subsidiary (other than Indebtedness Incurred (i) to provide all or any portion of the funds utilized to consummate the transaction or series of transactions pursuant to which a Person becomes a Restricted Subsidiary or was otherwise acquired by the Company or a Restricted Subsidiary or (ii) otherwise in contemplation of a Person becoming a Restricted Subsidiary or any such acquisition); *provided* that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (w) (together with any refinancings thereof, but excluding any Contractor Guarantees or Guarantees Incurred under this clause (w) to the extent the amount of such Contractor Guarantees or Guarantees is otherwise reflected in such aggregate principal amount), plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred pursuant to clauses (h), (p), (q), (r) and (s) above and clauses (x) and (z) below (together with any refinancings thereof, but excluding any Contractor Guarantees or Guarantees Incurred under clauses (h), (p), (q), (r) and (s) above and clauses (x) and (z) below to the extent the amount of such Contractor Guarantees or Guarantees is otherwise reflected in such aggregate principal amount), does not exceed an amount equal to 35% of Total Assets;

(x) Indebtedness of the Company or any Restricted Subsidiary constituting an obligation to pay the deferred purchase price of Capital Stock of a Person pursuant to a Minority Interest Staged Acquisition Agreement, to the extent that such deferred purchase price is paid within 12 months after the date the Company or such Restricted Subsidiary enters into such Minority Interest Staged Acquisition Agreement; *provided* that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (x) (together with any refinancings thereof, but excluding any Contractor Guarantees or Guarantees Incurred under this clause (x) to the extent the amount of such Contractor Guarantees or Guarantees is otherwise reflected in such aggregate principal amount), plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred pursuant to clauses (h), (p), (q), (r), (s) and (w) above and clause (z) below (together with any refinancings thereof, but excluding any Contractor Guarantees or Guarantees Incurred under clauses (h), (p), (q), (r), (s) and (w) above and clause (z) below to the extent the amount of such Contractor Guarantees or Guarantees is otherwise reflected in such aggregate principal amount), does not exceed an amount equal to 35% of Total Assets;

(y) Indebtedness Incurred or Preferred Stock issued by any trust, fund, partnership, asset management plan or similar business entity (i) of which the Company or any Restricted Subsidiary acts as a general partner or otherwise holds Capital Stock and (ii) which is not consolidated by the Company in accordance with GAAP; or

(z) Indebtedness Incurred by the Company or any Restricted Subsidiary under Credit Facilities; *provided* that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (z) (together with any refinancings thereof, but excluding any Contractor Guarantees or Guarantees Incurred under this clause (z) to the extent the amount of such Contractor Guarantees or Guarantees is otherwise reflected in such aggregate principal amount), plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred pursuant to clauses (h), (p), (q), (r), (s), (w) and (x) above (together with any refinancings thereof, but excluding any Contractor Guarantees or Guarantees Incurred under clauses (h), (p), (q), (r), (s), (w) and (x) above to the extent the amount of such Contractor Guarantees or Guarantees is otherwise reflected in such aggregate principal amount), does not exceed an amount equal to 35% of Total Assets.

(3) For purposes of determining compliance with this "Limitation on Indebtedness and Preferred Stock" covenant, in the event that an item of Indebtedness meets the criteria of more than one of the types of Indebtedness described above, including under the proviso in the first paragraph of part (1), the Company, in its sole discretion, shall classify, and from time to time may reclassify, such item of Indebtedness and only be required to include the amount of such Indebtedness as one of such types.

(4) Notwithstanding any other provision of the Indenture, the maximum amount of Indebtedness that may be Incurred pursuant to this covenant will not be deemed to be exceeded with respect to any outstanding Indebtedness due solely to the result of fluctuations in the exchange rates of currencies.

***Limitation on Restricted Payments***

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly (the payments or any other actions described in clauses (1) through (4) below being collectively referred to as "Restricted Payments"):

(1) declare or pay any dividend or make any distribution on or with respect to the Company's or any of its Restricted Subsidiaries' Capital Stock (other than dividends or distributions payable or paid in shares of the Company's or any of its Restricted Subsidiaries' Capital Stock (other than Disqualified Stock or Preferred Stock) or in options, warrants or other rights to acquire shares of such Capital Stock) held by Persons other than the Company or any Wholly Owned Restricted Subsidiary;

(2) purchase, call for redemption or redeem, retire or otherwise acquire for value any shares of Capital Stock of the Company or any Restricted Subsidiary (including options, warrants or other rights to acquire such shares of Capital Stock) or any direct or indirect parent of the Company held by any Persons other than the Company or any Wholly Owned Restricted Subsidiary other than (i) the purchase of Capital Stock of a Restricted Subsidiary pursuant to a Staged Acquisition Agreement permitted to be entered into under the Indenture or (ii) any purchase of Capital Stock that is permitted under clause (18) of the definition of Permitted Investment;

(3) make any voluntary or optional principal payment, or voluntary or optional redemption, repurchase, defeasance, or other acquisition or retirement for value, of Indebtedness that is subordinated in right of payment to the Notes or any of the Subsidiary Guarantees or any of the JV Subsidiary Guarantees (excluding any intercompany Indebtedness between or among the Company and any of its Wholly Owned Restricted Subsidiaries) or make any payment of principal or interest or other payment with respect to a Subordinated Shareholder Loan; or

(4) make any Investment, other than a Permitted Investment;

if, at the time of, and after giving effect to, the proposed Restricted Payment referred to in clauses (1) through (4) above:

(a) Default has occurred and is continuing or would occur as a result of such Restricted Payment;

(b) the Company could not Incur at least US$1.00 of Indebtedness under the proviso in the first paragraph of part (1) of the covenant under the caption "— Limitation on Indebtedness and Preferred Stock"; or

(c) such Restricted Payment, together with the aggregate amount of all Restricted Payments made by the Company and its Restricted Subsidiaries after the Measurement Date, shall exceed the sum of:

(i) 50% of the aggregate amount of the Consolidated Net Income of the Company (or, if the Consolidated Net Income is a loss, minus 100% of the amount of such loss) accrued on a cumulative basis during the period (taken as one accounting period) beginning on the first day of the fiscal quarter during which the 2012 Notes are originally issued and ending on the last day of the Company's most recently ended fiscal quarter for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may include internal consolidated financial statements); plus

(ii) 100% of the aggregate Net Cash Proceeds received by the Company after the Measurement Date as a capital contribution to its common equity or from the issuance and sale of its Capital Stock (other than Disqualified Stock) to a Person who is not a Subsidiary of the Company, including any such Net Cash Proceeds received upon (A) the conversion of any Indebtedness (other than Subordinated Indebtedness) of the Company into Capital Stock (other than Disqualified Stock) of the Company, or (B) the exercise by a Person who is not a Subsidiary of the Company of any options, warrants or other rights to acquire Capital Stock of the Company (other than Disqualified Stock) in each case excluding the amount of any such Net Cash Proceeds used to redeem, repurchase, defease or otherwise acquire or retire for value any Subordinated Indebtedness or Capital Stock of the Company; plus

(iii) the amount by which Indebtedness of the Company or any of its Restricted Subsidiaries is reduced on the Company's consolidated balance sheet upon the conversion or exchange (other than by a Subsidiary of the Company) subsequent to the Measurement Date of any Indebtedness of the Company or any of its Restricted Subsidiaries convertible or exchangeable into Capital Stock (other than Disqualified Stock) of the Company (less the amount of any cash, or the Fair Market Value of any other property, distributed by the Company upon such conversion or exchange); plus

(iv) an amount equal to the net reduction in Investments (other than reductions in Permitted Investments) that were made after the Measurement Date in any Person resulting from (A) payments of interest on Indebtedness, dividends or repayments of loans or advances by such Person, in each case to the Company or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income) after the Measurement Date, (B) the unconditional release of a Guarantee provided by the Company or a Restricted Subsidiary after the Measurement Date of an obligation of another Person, (C) to the extent that an Investment made after the Measurement Date was, after such date, or is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment, (D) from redesignations of Unrestricted Subsidiaries as Restricted Subsidiaries, not to exceed, in each case, the amount of Investments (other than Permitted Investments) made by the Company or a Restricted Subsidiary after the Measurement Date in any such Person, or (E) any Person becoming a Restricted Subsidiary (whereupon all Investments made by the Company or any Restricted Subsidiary in such Person since the Measurement Date shall be deemed to have been made pursuant to clause (1) of the definition of "Permitted Investment") but only to the extent such Investments by the Company or any Restricted Subsidiary in such Person was a Restricted Payment made to the extent permitted under this paragraph (c); plus

(v) US$30 million (or the Dollar Equivalent thereof).

The foregoing provision shall not be violated by reason of:

(1) the payment of any dividend or redemption of any Capital Stock within 60 days after the related date of declaration or call for redemption if, at said date of declaration or call for redemption, such payment or redemption would comply with the preceding paragraph;

(2) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any of the Subsidiary Guarantors or JV Subsidiary Guarantors with the Net Cash Proceeds of, or in exchange for, a substantially concurrent Incurrence of Permitted Refinancing Indebtedness;

(3) the redemption, repurchase or other acquisition of Capital Stock of the Company or any Subsidiary Guarantor or JV Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock) in exchange for, or out of the Net Cash Proceeds of a substantially concurrent capital contribution or a sale (other than to a Subsidiary of the Company) of, shares of the Capital Stock (other than Disqualified Stock) of the Company or any Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock); *provided* that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph, *provided however* that any item that has been excluded pursuant to clause (c)(ii) of the preceding paragraph will not be excluded again as a result of the proviso in this clause (3);

(4) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any of the Subsidiary Guarantors or JV Subsidiary Guarantors in exchange for, or out of the Net Cash Proceeds of, a substantially concurrent capital contribution or sale (other than to a Subsidiary of the Company) of, shares of Capital Stock (other than Disqualified Stock) of the Company or any of the Subsidiary Guarantors or JV Subsidiary Guarantors (or options, warrants or other rights to acquire such Capital Stock); *provided* that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph, *provided however* that any item that has been excluded pursuant to clause (c)(ii) of the preceding paragraph will not be excluded again as a result of the proviso in this clause (4);

(5) any dividend or distribution declared, paid or made by a Restricted Subsidiary payable, on a *pro rata* basis or on a basis more favorable to the Company, to all holders of a class of Capital Stock of such Restricted Subsidiary; *provided* that, with respect to a Restricted Subsidiary of which less than a majority of the Voting Stock is directly or indirectly owned by the Company, such dividend or distribution shall be declared, paid or made on a pro rata basis or on a basis more favorable to the Company, as determined by the ownership of the Voting Stock;

(6) dividends paid to, or the purchase of Capital Stock of any Restricted Subsidiary held by, any Trust Company Investor in respect of any Indebtedness outstanding on the Original Issue Date or permitted to be Incurred under paragraph (2)(p) of the "Limitation on Indebtedness and Preferred Stock" covenant;

(7) (A) payments made to purchase 49% of the outstanding Capital Stock of Wuxi Sunac Greentown Hubin Real Estate Co., Ltd. (無錫融創綠城湖濱置業有限公司) held by Greentown Real Estate Co., Ltd. (綠城房地產集團有限公司) in an aggregate amount not to exceed RMB49.0 million, (B) payments made to purchase 5% of the outstanding Capital Stock of Yixing Sunac Dongjiu Real Estate Co., Ltd. (宜興融創東氿置業有限公司) held by Rongde Asset Management Co., Ltd. (融德資產管理有限公司) in an aggregate amount not to exceed RMB40.0 million, (C) payments made to purchase 28.57% of the outstanding Capital Stock of Wuxi Sunac City Construction Co., Ltd. (無錫融創城市建設有限公司) held by United Trust Co., Ltd. (國聯信託股份有限公司) in an aggregate amount not to exceed RMB200.0 million, (D) payments made to purchase 15% of the outstanding Capital Stock of Chongqing Sunac Yatai Shiye Real Estate Development Co., Ltd. (重慶融創亞太實業有限公司) held by Beijing Guoxin Zhongjin Investment Co., Ltd. (北京國信中金投資有限公司) in an aggregate amount not to exceed RMB42.0 million, (E) payments made to purchase 49.56% of the outstanding Capital Stock of Tianjin Sunac Mingxiang Investment Development Co., Ltd. (天津融創名翔投資發展有限公司) held by Daye Trust Co., Ltd. (大業信託有限責任公司) in an aggregate amount not to exceed RMB705.0 million and (F) payment made to purchase 50.0% of the outstanding Capital Stock of Chongqing Sunac Shengfeng Real Estate Co., Ltd. (重慶融創尚峰置業有限公司) held by Xinhua Trust Holding Limited (新華信託股份有限公司) in an aggregate amount not to exceed RMB600.0 million; *provided* that, in each case, the entity of which the Capital Stock was purchased is a Restricted Subsidiary when such payment is made;

(8) payments made under a Staged Acquisition Agreement to acquire the Capital Stock of a Person *provided* that such Person becomes a Restricted Subsidiary on or before the last date in the period stipulated in such Staged Acquisition Agreement for which the purchase price can be made;

(9) payments made to purchase, redeem, retire or acquire up to (A) 49% of the outstanding Capital Stock of Beijing Sunac Jiaye Real Estate Development Co., Ltd. (北京融創嘉業房地產開發有限公司), (B) 49% of the outstanding Capital Stock of Beijing Sunac Hengyu Real Estate Co., Ltd. (北京融創恒裕地產有限公司), (C) 49% of Beijing Sunac Xingye Real Estate Co., Ltd. (北京融創興業地產有限公司), (D) 10% of the outstanding Capital Stock of Chongqing Sunac Xinyi Real Estate Development Co., Ltd. (重慶融創鑫逸房地產開發有限公司), (E) 10% of the outstanding Capital Stock of Chongqing Sunac Jiyang Real Estate Co., Ltd. (重慶融創基洋置業有限公司), (F) 20% of the outstanding Capital Stock of Chongqing Yejin Real Estate Development Co., Ltd. (重慶業晉房地產開發有限公 司), (G) 49% of the outstanding Capital Stock of Chongqing Sunac Kaixuan Real Estate Co., Ltd. (重慶融創凱旋置業有限公司), (H) 49% of the outstanding Capital Stock of Shanghai Ronglv Qiwei Real Estate Co., Ltd. (上海融綠啟威置業有限公司) and (I) 49% of the outstanding Capital Stock of Shanghai Ronglv Huiyi Real Estate Co., Ltd. (上海融綠匯誼置業有限公司); *provided* that, in each case, the entity of which the Capital Stock was purchased, redeemed, retired or acquired is a Restricted Subsidiary when such payment is made;

(10) any declaration and payment of dividends or other distributions by the Company and/or any repurchase, call for redemption, redemption or acquisition of the Company's Common Stock with respect to any financial year, to the extent that such declaration and payment of dividends by the Company, together with such repurchase, call for redemption, redemption or acquisition of the Company's shares of Common Stock, do not in the aggregate exceed 25% of the consolidated profit for the year of the Company calculated in accordance with GAAP;

(11) the purchase of Capital Stock of a Person, and payments made, pursuant to a Minority Staged Acquisition Agreement if, on the date of such Minority Staged Acquisition Agreement, such purchase or payment would have complied with either the preceding paragraph or clause (18) of the definition of "Permitted Investment";

(12) (x) payments made to purchase, redeem, retire or acquire the Capital Stock of Greentown Parent if the Company shall own, directly or indirectly, no more than 50% of the outstanding Capital Stock of Greentown Parent immediately after such purchase, redemption, retirement or acquisition, or (y) payments made to purchase, redeem, retire or acquire the Capital Stock of Greentown Parent if Greentown Parent shall be a Restricted Subsidiary immediately after such purchase, redemption, retirement or acquisition;

(13) any purchase, redemption, retirement or acquisition of any shares of Capital Stock of any Restricted Subsidiary in an arm's length transaction, *provided* that any such purchase, redemption, retirement or acquisition shall be deemed to be an arm's length transaction if the consideration paid by the Company or the relevant Restricted Subsidiary, as the case may be, is not more than the Fair Market Value of the shares of Capital Stock so purchased, redeemed, retired or acquired;

(14) (A) the repurchase, redemption or other acquisition or retirement for value of the Capital Stock of the Company or any Restricted Subsidiary (directly or indirectly, including through any trustee, agent or nominee) in connection with an employee benefit plan, and any corresponding Investment by the Company or any Restricted Subsidiary in any trust or similar arrangements to the extent of such repurchased, redeemed, acquired or retired Capital Stock, or (B) the repurchase, redemption or other acquisition or retirement for value of any Capital Stock of the Company or any Restricted Subsidiary held by an employee benefit plan of the Company or any Restricted Subsidiary, any current or former officer, director, consultant, or employee of the Company or any Restricted Subsidiary (or permitted transferees, estates or heirs of any of the foregoing); *provided* that the aggregate consideration paid for all such repurchased, redeemed, acquired or retired Capital Stock may not exceed US$50.0 million (or the Dollar Equivalent thereof) in any fiscal year;

(15) the distributions or payments of Securitization Fees in connection with Receivable Financing permitted under the Indenture; or

(16) the declaration or payment of any dividends in kind or the making of any distributions in kind by the Company which consist solely of Capital Stock (other than Disqualified Stock or Preferred Stock) of any member of a Restructuring Group in connection with a proposed Restructuring of such Restructuring Group, *provided* that such payment or distribution will be made to the shareholders of the Company at the time of or prior to such Restructuring; and *provided further* that (i) the aggregate Fair Market Value (as determined on the date of declaration of the relevant dividend or distribution) of all such payments or distributions made after the Original Issue Date under this clause (16) shall not exceed 25.0% of Total Assets, and (ii) the maximum amount of dividends or distributions that may be declared or paid under this clause (16) will not be deemed to be exceeded solely due to the fluctuations of the amount of Total Assets after the date such dividends or distributions were declared or paid,

*provided that*, in the case of clause (2), (3), (4), (10) or (16) of the preceding paragraph, no Default shall have occurred and be continuing or would occur as a consequence of the actions or payments set forth therein.

Each Restricted Payment permitted pursuant to clause (1), (11) or (12)(x) of the preceding paragraph shall, without duplication, be included in calculating whether the conditions of clause (c) of the first paragraph of this "Limitation on Restricted Payments" covenant have been met with respect to any subsequent Restricted Payments.

The amount of any Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Company or the Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The value of any assets or securities that are required to be valued by this covenant will be the Fair Market Value. The Board of Directors' determination of the Fair Market Value of a Restricted Payment or any such assets or securities must be based upon an opinion or appraisal issued by an accounting appraisal or investment banking firm of recognized international standing if the Fair Market Value exceeds US$10.0 million (or the Dollar Equivalent thereof).

Not later than the date of making any Restricted Payment in excess of US$10.0 million (or the Dollar Equivalent thereof) (other than any Restricted Payments set forth in clauses (5) through (16) above), the Company will deliver to the Trustee an Officers' Certificate stating that such Restricted Payment is permitted and setting forth the basis upon which the calculations required by this "— Limitation on Restricted Payments" covenant were computed, together with a copy of any fairness opinion or appraisal required by the Indenture.

For purposes of determining compliance with this "— Limitation on Restricted Payments" covenant, in the event that an item of Investment meets the criteria of both (i) the first paragraph of this "— Limitation on Restricted Payments" covenant and (ii) clause (18) of the definition of "Permitted Investment," at any time, the Company, in its sole discretion, shall classify and from time to time may reclassify, such item of Investment in either or both of them.

***Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries***

(1) Except as provided below, the Company will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary to:

(a) pay dividends or make any other distribution on any Capital Stock of such Restricted Subsidiary owned by the Company or any other Restricted Subsidiary;

(b) pay any Indebtedness or other obligation owed to the Company or any other Restricted Subsidiary;

(c) make loans or advances to the Company or any other Restricted Subsidiary; or

(d) sell, lease or transfer any of its property or assets to the Company or any other Restricted Subsidiary;

*provided* that for the avoidance of doubt the following shall not be deemed to constitute such an encumbrance or restriction: (i) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on Common Stock; (ii) the subordination of loans or advances made to the Company or any Restricted Subsidiary to other Indebtedness Incurred by the Company or any Restricted Subsidiary; and (iii) the provisions contained in documentation governing Indebtedness requiring transactions between or among the Company and any Restricted Subsidiary or between or among any Restricted Subsidiary to be on fair and reasonable terms or on an arm's length basis.

(2) The provisions of paragraph (1) do not apply to any encumbrances or restrictions:

(a) existing in agreements as in effect on the Original Issue Date, or in the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees, the Indenture, the Security Documents, or under any Permitted Pari Passu Secured Indebtedness of the Company or any Subsidiary Guarantor Pledgor or *Pari Passu* Guarantee, and any extensions, refinancings, renewals or replacements of any of the foregoing agreements; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;

(b) existing under or by reason of applicable law, rule, regulation or order;

(c) existing with respect to any Person or the property or assets of such Person acquired by the Company or any Restricted Subsidiary, at the time of such acquisition and not incurred in contemplation thereof, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Person or the property or assets of such Person so acquired, and any extensions, refinancings, renewals or replacements thereof; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;

(d) that otherwise would be prohibited by the provision described in clause (1)(d) of this covenant if they arise, or are agreed to, in the ordinary course of business and, that (i) restrict in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease or license, or (ii) exist by virtue of any Lien on, or agreement to transfer, option or similar right with respect to any property or assets of the Company or any Restricted Subsidiary not otherwise prohibited by the Indenture or (iii) do not relate to any Indebtedness, and that do not, individually or in the aggregate, detract from the value of property or assets of the Company or any Restricted Subsidiary in any manner material to the Company or any Restricted Subsidiary;

(e) with respect to a Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the sale or disposition of all or substantially all of the Capital Stock of, or property and assets of, such Restricted Subsidiary that is permitted by the "— Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries," "— Limitation on Indebtedness and Preferred Stock" and "— Limitation on Asset Sales" covenants;

(f) with respect to any Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the Incurrence of Indebtedness of the type described under clause (2)(h), (2)(n), (2)(o), (2)(p), (2)(q), (2)(r), (2)(s), (2)(x) or (2)(z) or permitted under clause (2)(v) of the "Limitation on Indebtedness and Preferred Stock" covenant if, as determined by the Board of Directors, the encumbrances or restrictions are (i) customary for such types of agreements and (ii) would not, at the time agreed to, be expected to materially and adversely affect the ability of the Company to make required payment on the Notes and, with respect to Indebtedness of the type described under clause (2)(h), (2)(n), (2)(o), (2)(p), (2)(q), (2)(r), (2)(s), (2)(v), (2)(x) or (2)(z), any extensions, refinancings, renewals or replacements of any of the foregoing agreements; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;

(g) existing in customary provisions in shareholder agreements, joint venture agreements and other similar agreements permitted under the Indenture, to the extent such encumbrance or restriction relates to the activities or assets of a Restricted Subsidiary that is a party to such joint venture (or of Subsidiaries of such Restricted Subsidiaries) and if (as determined in good faith by the Board of Directors) (i) the encumbrances or restrictions are customary for a shareholder, joint venture or similar agreement of that type and (ii) the encumbrances or restrictions would not, at the time agreed to, be expected to materially and adversely affect the ability of the Company to make the required payments on the Notes or the ability of any Subsidiary Guarantor or JV Subsidiary Guarantor to make the required payments on its Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be; or

(h) existing with respect to any Unrestricted Subsidiary or the property or assets of such Unrestricted Subsidiary that is designated as a Restricted Subsidiary in accordance with the terms of the Indenture at the time of such designation and not incurred in contemplation of such designation, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Unrestricted Subsidiary or its subsidiaries or the property or assets of such Unrestricted Subsidiary or its subsidiaries, and any extensions, refinancing, renewals or replacements thereof; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced.

***Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries***

The Company will not sell, and will not permit any Restricted Subsidiary, directly or indirectly, to issue or sell any shares of Capital Stock of a Restricted Subsidiary (including options, warrants or other rights to purchase shares of such Capital Stock) except:

(1) to the Company or a Wholly Owned Restricted Subsidiary, or in the case of a Restricted Subsidiary that is not Wholly Owned, pro rata to its shareholders or incorporators;

(2) to the extent such Capital Stock represents director's qualifying shares or is required by applicable law to be held by a Person other than the Company or a Wholly Owned Restricted Subsidiary;

(3) for the issuance or sale of the Capital Stock of a Restricted Subsidiary if, immediately after giving effect to such issuance or sale, such Restricted Subsidiary would no longer constitute a Restricted Subsidiary and any remaining Investment, if any, in such Person would have been permitted to be made under the "— Limitation on Restricted Payments" covenant if made on the date of such issuance or sale and *provided* that the Company complies with the "— Limitation on Asset Sales" covenant to the extent required thereunder; or

(4) the issuance or sale of Capital Stock of a Restricted Subsidiary (which remains a Restricted Subsidiary after any such issuance or sale); *provided* that the Company or such Restricted Subsidiary applies the Net Cash Proceeds of such issuance or sale in accordance with the "— Limitation on Asset Sales" covenant.

***Limitation on Issuances of Guarantees by Restricted Subsidiaries***

The Company will not permit any Restricted Subsidiary which is neither a Subsidiary Guarantor nor a JV Subsidiary Guarantor, directly or indirectly, to Guarantee any Indebtedness ("Guaranteed Indebtedness") of the Company or a Subsidiary Guarantor or a JV Subsidiary Guarantor, unless (1)(a) such Restricted Subsidiary simultaneously executes and delivers a supplemental indenture to the Indenture providing for an unsubordinated Subsidiary Guarantee (in the case of a Subsidiary Guarantor) or JV Subsidiary Guarantee (in the case of a JV Subsidiary Guarantor) of payment of the Notes by such Restricted Subsidiary and (b) such Restricted Subsidiary waives and will not in any manner whatsoever claim or take the benefit or advantage of, any rights of reimbursement, indemnity or subrogation or any other rights against the Company or any other Restricted Subsidiary as a result of any payment by such Restricted Subsidiary under its Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, until the Notes have been paid in full or (2) such Guarantee is permitted by clauses (2)(c), (2)(d) or (2)(q) (in the case of clause (2)(q), with respect to the Guarantee provided by the Company or any Restricted Subsidiary through the granting of Liens over one or more bank accounts, bank deposits or other assets to secure (or the use of any Guarantee or letter of credit or similar instrument to Guarantee) any Bank Deposit Secured Indebtedness), under the caption "— Limitation on Indebtedness and Preferred Stock."

If the Guaranteed Indebtedness (1) ranks *pari passu* in right of payment with the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee, then the Guarantee of such Guaranteed Indebtedness shall rank *pari passu* in right of payment with, or subordinated to, the Subsidiary Guarantee or the JV Subsidiary Guarantee, as the case may be, or (2) is subordinated in right of payment to the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee, then the Guarantee of such Guaranteed Indebtedness shall be subordinated in right of payment to the Subsidiary Guarantee or the JV Subsidiary Guarantee, as the case may be, at least to the extent that the Guaranteed Indebtedness is subordinated to the Notes, the Subsidiary Guarantee or the JV Subsidiary Guarantee.

The Company will not permit any JV Subsidiary Guarantor, directly or indirectly, to Guarantee any Indebtedness of the Company or any other Restricted Subsidiary unless the aggregate claims of the creditor under such Guarantee will be limited to the JV Entitlement Amount, which will be conclusively evidenced by an Officers' Certificate from the Company certifying to that effect. The Trustee is fully protected in relying on such Officers' Certificate with respect to such Guarantee given by the relevant JV Subsidiary Guarantor. If any JV Subsidiary Guarantor Guarantees any Indebtedness of the Company or any other Restricted Subsidiary where the aggregate claims of the creditor under such Guarantee exceeds the JV Entitlement Amount, such JV Subsidiary Guarantee shall be replaced with a Subsidiary Guarantee given by a Subsidiary Guarantor.

***Limitation on Transactions with Shareholders and Affiliates***

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into, renew or extend any transaction or arrangement (including, without limitation, the purchase, sale, lease or exchange of property or assets, or the rendering of any service) with (x) any holder (or any Affiliate of such holder) of 10.0% or more of any class of Capital Stock of the Company or (y) any Affiliate of the Company (each an "Affiliate Transaction"), unless:

(1) the Affiliate Transaction is on fair and reasonable terms that are no less favorable to the Company or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Company or the relevant Restricted Subsidiary with a Person that is not an Affiliate of the Company; and

(2) the Company delivers to the Trustee:

(a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US$25.0 million (or the Dollar Equivalent thereof), a Board Resolution set forth in an Officers' Certificate certifying that such Affiliate Transaction complies with this covenant and such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors; and

(b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US$50.0 million (or the Dollar Equivalent thereof), in addition to the Board Resolution required in clause 2(a) above, an opinion as to the fairness to the Company or the relevant Restricted Subsidiary of such Affiliate Transaction from a financial point of view issued by an accounting, appraisal or investment banking firm of recognized international standing.

The foregoing limitation does not limit, and shall not apply to:

(1) the payment of reasonable and customary regular fees or other reasonable and customary compensation to directors of the Company or any Restricted Subsidiary who are not employees of the Company or the Restricted Subsidiary;

(2) transactions between or among the Company and any of its Wholly Owned Restricted Subsidiaries or between or among Wholly Owned Restricted Subsidiaries;

(3) any Restricted Payment of the type described in clauses (1) or (2) of the first paragraph of the covenant described above under the caption "— Limitation on Restricted Payments" if permitted by that covenant;

(4) any sale of Capital Stock (other than Disqualified Stock) of the Company;

(5) the payment of compensation to officers and directors of the Company or any Restricted Subsidiary pursuant to an employee stock or share option or other incentive scheme, so long as such scheme is in compliance with the listing rules of The Stock Exchange of Hong Kong Limited, which as of the Original Issue Date require a majority shareholder approval of any such scheme;

(6) loans or advances to employees, officers or directors in the ordinary course of business not to exceed US$5.0 million in the aggregate at any one time outstanding;

(7) any sale of apartment units by the Company or a Restricted Subsidiary in the ordinary course of business to employees, officers, directors or their respective family members at a discount from the listed price not greater than that applicable generally to all employees of the Company and its Subsidiaries with respect to those apartment units; provided that (x) revenues from all such sales in any fiscal year shall not exceed 2.0% of the revenues for that year as shown in the consolidated financial statements of the Company for that period in accordance with GAAP, and (y) any such discount shall not be in excess of 15.0% to the Fair Market Value of the relevant apartment unit;

(8) any transaction between (A) the Company or any Restricted Subsidiary and (B) any entity in a Restructuring Group entered into in connection with a proposed Restructuring, including but not limited to transactions entered into for purposes of any reorganization in connection with such proposed Restructuring and the entry into, and the performance thereof, of any underwriting agreement or other transaction documents in connection with such proposed Restructuring; and

(9) any transaction between (A) the Company or any Restricted Subsidiary and (B) any entity in a Restructuring Group entered into in the ordinary course of business, on fair and reasonable terms and disclosed in the offering document issued in connection with a proposed Restructuring, or any amendment or modification or extension or replacement thereof, so long as such amendment, modification or replacement is not more disadvantageous to the Company and its Restricted Subsidiaries than the original transaction described in the offering document issued in connection with such proposed Restructuring and in compliance with the rules of The Stock Exchange of Hong Kong Limited or any other recognized exchange on which the Company's ordinary shares are then listed for trading.

In addition, the requirements of clause (2) of the first paragraph of this covenant shall not apply to (i) Investments (other than Permitted Investments) not prohibited by the "Limitation on Restricted Payments" covenant and Investments made under clause (18) or (20) of the definition of "Permitted Investment", (ii) transactions pursuant to agreements in effect on the Original Issue Date and described in this offering memorandum, or any amendment or modification or replacement thereof, so long as such amendment, modification or replacement is not more disadvantageous to the Company and its Restricted Subsidiaries than the original agreement in effect on the Original Issue Date, (iii) any transaction between or among any of the Company or a Wholly Owned Restricted Subsidiary and any Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary or between or among Restricted Subsidiaries that are not Wholly Owned Restricted Subsidiaries or between or among the Company or a Restricted Subsidiary on the one hand and a Jointly Controlled Entity, a Minority Joint Venture or an Unrestricted Subsidiary on the other hand; provided that in the case of clause (iii) (a) such transaction is entered into in the ordinary course of business, (b) in the case of a transaction with a Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary, none of the minority shareholders or minority partners of or in such Restricted Subsidiary that owns 5.0% or more of the outstanding Capital Stock of such Restricted Subsidiary is a Person described in clauses (x) or (y) of the first paragraph of this covenant (other than by reason of such minority shareholder or minority partner being an officer or director of such Restricted Subsidiary or being a Subsidiary of the Company), or (c) in the case of a transaction with a Jointly Controlled Entity, a Minority Joint Venture or an Unrestricted Subsidiary, none of the shareholders or partners (other than the Company or a Restricted Subsidiary) that owns 15.0% or more of the outstanding Capital Stock of such Jointly Controlled Entity, Minority Joint Venture or Unrestricted Subsidiary is a Person described in clauses (x) or (y) of the first paragraph of this covenant (other than by reason of such shareholder or partner being a director or officer of such Jointly Controlled Entity, Minority Joint Venture or Unrestricted Subsidiary or by reason of such shareholder or partner being a Subsidiary, Jointly Controlled Entity or Minority Joint Venture of the Company), (iv) at any time that Greentown Parent is either a Minority Joint Venture or a Restricted Subsidiary of the Company, any transaction between or among any of the Company and the Restricted Subsidiaries, on the one hand, and any Qualifying Related Entity that is an HKSE Compliant Transaction, on the other hand, and (v) any Affiliate Transaction that is conducted in accordance with the relevant rules and regulations of The Stock Exchange of Hong Kong Limited, for as long as the Capital Stock of the Company remains listed on The Stock Exchange of Hong Kong Limited.

***Limitation on Liens***

Prior to the Release Date, the Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly:

(1) incur, assume or permit to exist any Lien on the Collateral (other than Permitted Liens); or

(2) incur, assume or permit to exist any Lien of any nature whatsoever on any of its assets or properties of any kind (other than the Collateral), whether owned at the Original Issue Date or thereafter acquired, except Permitted Liens, unless the Notes are equally and ratably secured by such Lien.

Upon the occurrence of the release of the Collateral on the Release Date and thereafter, the Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly:

(1) incur, assume or permit to exist any Lien on the Capital Stock of a Subsidiary Guarantor or a JV Subsidiary Guarantor (other than a Permitted Lien specified in clause (1) of "Permitted Liens"), unless the Notes are equally and ratably secured by such Lien; or

(2) incur, assume or permit to exist any Lien of any nature whatsoever on any of its assets or properties of any kind (other than the Capital Stock described in clause (1) above), whether owned at the Original Issue Date or thereafter acquired, except Permitted Liens, unless the Notes are equally and ratably secured by such Lien.

***Limitation on Sale and Leaseback Transactions***

The Company will not, and will not permit any of its Restricted Subsidiaries to, enter into any Sale and Leaseback Transaction; provided that the Company or any Restricted Subsidiary may enter into a Sale and Leaseback Transaction if:

(1) the Company or any Restricted Subsidiary could have (a) Incurred Indebtedness in an amount equal to the Attributable Indebtedness relating to such Sale and Leaseback Transaction under the covenant described above under "— Limitation on Indebtedness and Preferred Stock" and (b) incurred a Lien to secure such Indebtedness pursuant to the covenant described above under the caption "— Limitation on Liens," in which case, the corresponding Indebtedness and Lien will be deemed incurred pursuant to those provisions;

(2) the gross cash proceeds of that Sale and Leaseback Transaction are at least equal to the Fair Market Value of the property that is the subject of such Sale and Leaseback Transaction; and

(3) the transfer of assets in that Sale and Leaseback Transaction is permitted by, and the Company or such Restricted Subsidiary applies the proceeds of such transaction in compliance with, the covenant described below under the caption "— Limitation on Asset Sales."

***Limitation on Asset Sales***

The Company will not, and will not permit any Restricted Subsidiary to, consummate any Asset Sale, unless:

(1) no Default shall have occurred and be continuing or would occur as a result of such Asset Sale;

(2) the consideration received by the Company or such Restricted Subsidiary, as the case may be, is at least equal to the Fair Market Value of the assets sold or disposed of; and

(3) at least 75% of the consideration received consists of cash, Temporary Cash Investments or Replacement Assets; *provided* that in the case of an Asset Sale in which the Company or such Restricted Subsidiary receives Replacement Assets involving aggregate consideration in excess of US$50.0 million (or the Dollar Equivalent thereof), the Company shall deliver to the Trustee an opinion as to the fairness to the Company or such Restricted Subsidiary of such Asset Sale from a financial point of view issued by an accounting, appraisal or investment banking firm of international standing. For purposes of this provision, each of the following will be deemed to be cash:

    (a) any liabilities, as shown on the Company's most recent consolidated balance sheet, of the Company or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee) that are assumed by the transferee of any such assets pursuant to a customary assumption, assignment, novation or similar agreement that releases the Company or such Restricted Subsidiary from further liability; and

    (b) any securities, notes or other obligations received by the Company or any Restricted Subsidiary from such transferee that are promptly, but in any event within 30 days of closing, converted by the Company or such Restricted Subsidiary into cash, to the extent of the cash received in that conversion.

Within 360 days after the receipt of any Net Cash Proceeds from an Asset Sale, the Company (or any Restricted Subsidiary, as the case may be) may apply such Net Cash Proceeds to:

(1) permanently repay Senior Indebtedness of the Company or a Subsidiary Guarantor or any Indebtedness of a Restricted Subsidiary that is not a Subsidiary Guarantor (and, if such Senior Indebtedness repaid is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto) in each case owing to a Person other than the Company or a Restricted Subsidiary; or

(2) acquire properties and assets that replace the properties and assets that were the subject of such Asset Sale or Replacement Assets.

Any Net Cash Proceeds from Asset Sales that are not applied or invested as provided in clauses (1) and (2) in the immediately preceding paragraph will constitute "Excess Proceeds." Excess Proceeds of less than US$10.0 million (or the Dollar Equivalent thereof) will be carried forward and accumulated. When accumulated Excess Proceeds exceed US$10.0 million (or the Dollar Equivalent thereof), within 10 days thereof, the Company must make an Offer to Purchase Notes having a principal amount equal to:

(1) accumulated Excess Proceeds, multiplied by

(2) a fraction (x) the numerator of which is equal to the outstanding principal amount of the Notes and (y) the denominator of which is equal to the outstanding principal amount of the Notes and all *pari passu* Indebtedness similarly required to be repaid, redeemed or tendered for in connection with the Asset Sale, rounded down to the nearest US$1,000.

The offer price in any Offer to Purchase will be equal to 100% of the principal amount plus accrued and unpaid interest to the date of purchase, and will be payable in cash.

If any Excess Proceeds remain after consummation of an Offer to Purchase, the Company may use those Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes (and any other *pari passu* Indebtedness) tendered in such Offer to Purchase exceeds the amount of Excess Proceeds, the Trustee will select the Notes (and such other *pari passu* Indebtedness) to be purchased on a pro rata basis. Upon completion of each Offer to Purchase, the amount of Excess Proceeds will be reset at zero.

***Use of Proceeds***

The Company will not, and will not permit any Restricted Subsidiary to, use the net proceeds from the sale of the Notes, in any amount, for any purpose other than (1) in the approximate amounts and for the purposes specified, including any adjustment in response to changing market conditions as contemplated, under the caption "Use of Proceeds" in the offering memorandum relating to the Existing 2024 Notes or this offering memorandum, as applicable (or in the case of Additional Notes (other than the New 2024 Notes), the offering memorandum relating to the sale of such Additional Notes, if any) and (2) pending the application of all of such net proceeds in such manner, to invest the portion of such net proceeds not yet so applied in Temporary Cash Investments.

***Designation of Restricted and Unrestricted Subsidiaries***

On the date of this offering memorandum, each of the Existing Unrestricted Subsidiaries shall be an Unrestricted Subsidiary. Any future Subsidiary of any Existing Unrestricted Subsidiary shall also be an Unrestricted Subsidiary.

The Board of Directors may designate any Restricted Subsidiary (other than any Greentown Company) to be an Unrestricted Subsidiary; provided that (1) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (2) neither the Company nor any Restricted Subsidiary provides credit support for the Indebtedness of such Restricted Subsidiary (other than any Guarantee in compliance with clause (6) below); (3) such Restricted Subsidiary has no

outstanding Indebtedness that could trigger a cross-default to the Indebtedness of the Company as a result of such designation; (4) such Restricted Subsidiary does not own any Disqualified Stock of the Company or Disqualified or Preferred Stock of another Restricted Subsidiary or hold any Indebtedness of, or any Lien on any property of, the Company or any Restricted Subsidiary, if such Disqualified or Preferred Stock or Indebtedness could not be Incurred under the covenant described under the caption "— Limitation on Indebtedness and Preferred Stock" or such Lien would violate the covenant described under the caption "— Limitation on Liens"; (5) such Restricted Subsidiary does not own any Voting Stock of another Restricted Subsidiary, and all of its Subsidiaries are Unrestricted Subsidiaries or are being concurrently designated to be Unrestricted Subsidiaries in accordance with this paragraph; and (6) the Investment deemed to have been made thereby in such newly-designated Unrestricted Subsidiary and each other newly-designated Unrestricted Subsidiary being concurrently redesignated would be permitted to be made by the covenant described under "— Limitation on Restricted Payments."

The Board of Directors may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; provided that (1) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (2) any Indebtedness of such Unrestricted Subsidiary outstanding at the time of such designation which will be deemed to have been Incurred by such newly-designated Restricted Subsidiary as a result of such designation would be permitted to be Incurred by the covenant described under the caption "— Limitation on Indebtedness and Preferred Stock"; (3) any Lien on the property of such Unrestricted Subsidiary at the time of such designation which will be deemed to have been incurred by such newly-designated Restricted Subsidiary as a result of such designation would be permitted to be incurred by the covenant described under the caption "— Limitation on Liens"; (4) such Unrestricted Subsidiary is not a Subsidiary of another Unrestricted Subsidiary (that is not concurrently being designated as a Restricted Subsidiary); (5) if such Restricted Subsidiary is not organized under the laws of the PRC, such Restricted Subsidiary shall upon such designation execute and deliver to the Trustee a supplemental indenture to the Indenture by which such Restricted Subsidiary shall become a Subsidiary Guarantor or a JV Subsidiary Guarantor to the extent required under "— The Subsidiary Guarantees"; and (6) with respect to any such designation prior to the Release Date, if such Restricted Subsidiary is not organized under the laws of the PRC or a Subsidiary of a JV Subsidiary Guarantor, all Capital Stock of such Restricted Subsidiary owned by the Company or any other Restricted Subsidiary shall be pledged to the extent required under "— Security."

Any such designation by the Board of Directors shall be notified by the Company to the Trustee by promptly filing with the Trustee a copy of the Board Resolution giving effect to such designation and an Officers' Certificate certifying that such designation complied with the foregoing provisions.

***Government Approvals and Licenses; Compliance with Law***

The Company will, and will cause each Restricted Subsidiary to, (1) obtain and maintain in full force and effect all governmental approvals, authorizations, consents, permits, concessions and licenses as are necessary to engage in the businesses of the Company or any Restricted Subsidiary; (2) preserve and maintain good and valid title to its properties and assets (including land-use rights) free and clear of any Liens other than Permitted Liens; and (3) comply with all laws, regulations, orders, judgments and decrees of any governmental body, except to the extent that failure so to obtain, maintain, preserve and comply would not reasonably be expected to have a material adverse effect on (a) the business, results of operations or prospects of the Company and its Restricted Subsidiaries, taken as a whole, or (b) the ability of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor to perform its obligations under the Notes, the relevant Subsidiary Guarantee, the relevant JV Subsidiary Guarantee or the Indenture.

***Anti-Layering***

The Company will not Incur, and will not permit any Subsidiary Guarantor or JV Subsidiary Guarantor to Incur, any Indebtedness if such Indebtedness is contractually subordinated in right of payment to any other Indebtedness of the Company, such Subsidiary Guarantor or such JV Subsidiary Guarantor, as the case may be, unless such Indebtedness is also contractually subordinated in right of payment to the Notes, the applicable Subsidiary Guarantee or the applicable JV Subsidiary Guarantee, on substantially identical terms. This does not apply to distinctions between categories of Indebtedness that exist by reason of any Liens or Guarantees securing or in favor of some but not all of such Indebtedness.

***Suspension of Certain Covenants***

If, on any date following the date of the Indenture, the Notes have a rating of an Investment Grade from two of the three Rating Agencies and no Default has occurred and is continuing (a "Suspension Event"), then, beginning on that day and continuing until such time, if any, at which the Notes cease to have a rating of Investment Grade from either of the Rating Agencies, the provisions of the Indenture summarized under the following captions will be suspended:

(1) "— Certain Covenants — Limitation on Indebtedness and Preferred Stock";

(2) "— Certain Covenants — Limitation on Restricted Payments";

(3) "— Certain Covenants — Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries";

(4) "— Certain Covenants — Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries";

(5) "— Certain Covenants — Limitation on Issuances of Guarantees by Restricted Subsidiaries";

(6) "— Certain Covenants — Limitation on Sale and Leaseback Transactions"; and

(7) "— Certain Covenants — Limitation on Asset Sales."

During any period that the foregoing covenants have been suspended, the Board of Directors may not designate any of the Restricted Subsidiaries as Unrestricted Subsidiaries pursuant to the covenant summarized under the caption "— Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries" or the definition of "Unrestricted Subsidiary."

Such covenants will be reinstituted and apply according to their terms as of and from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Company or any Restricted Subsidiary properly taken in compliance with the provisions of the Indenture during the continuance of the Suspension Event, and following reinstatement the calculations under the covenant summarized under "— Certain Covenants — Limitation on Restricted Payments" will be made as if such covenant had been in effect since the date of the Indenture except that no Default will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended. There can be no assurance that the Notes will ever achieve a rating of Investment Grade or that any such rating will be maintained.

***Provision of Financial Statements and Reports***

(1) So long as any of the Notes remain outstanding, the Company will file with the Trustee and furnish to the Holders upon request, as soon as they are available but in any event not more than 10 calendar days after they are filed with The Stock Exchange of Hong Kong Limited or any other recognized exchange on which the Company's common shares are at any time listed for trading, true and correct copies of any financial or other report in the English language filed with such exchange; *provided* that if at any time the Common Stock of the Company ceases to be listed for trading on a recognized stock exchange, the Company will file with the Trustee and furnish to the Holders:

    (a) as soon as they are available, but in any event within 90 calendar days after the end of the fiscal year of the Company, copies of its financial statements (on a consolidated basis) in respect of such financial year (including a statement of income, balance sheet and cash flow statement) audited by a member firm of an internationally-recognized firm of independent accountants;

(b) as soon as they are available, but in any event within 45 calendar days after the end of the second financial quarter of the Company, copies of its financial statements (on a consolidated basis) in respect of such half-year period (including a statement of income, balance sheet and cash flow statement) reviewed by a member firm of an internationally-recognized firm of independent accountants; and

(c) as soon as they are available, but in any event within 45 calendar days after the end of each of the first and third financial quarter of the Company, copies of its unaudited financial statements (on a consolidated basis), including a statement of income, balance sheet and cash flow statement, prepared on a basis consistent with the audited financial statements of the Company together with a certificate signed by the person then authorized to sign financial statements on behalf of the Company to the effect that such financial statements are true in all material respects and present fairly the financial position of the Company as at the end of, and the results of its operations for, the relevant quarterly period.

(2) In addition, for so long as any of the Notes remain outstanding, the Company will provide to the Trustee (a) within 120 days after the close of each fiscal year ending after the Original Issue Date, an Officers' Certificate stating the Fixed Charge Coverage Ratio with respect to the two most recent fiscal semiannual periods and showing in reasonable detail the calculation of the Fixed Charge Coverage Ratio, including the arithmetic computations of each component of the Fixed Charge Coverage Ratio, with a certificate from the Company's external auditors verifying the accuracy and correctness of the calculation and arithmetic computation; *provided* that the Company shall not be required to provide such auditor certification if its external auditors refuse to provide such certification as a result of a policy of such external auditors not to provide such certification; and (b) as soon as possible and in any event within 30 days after the Company becomes aware or should reasonably become aware of the occurrence of a Default, an Officers' Certificate setting forth the details of the Default, and the action which the Company proposes to take with respect thereto.

***Events of Default***

The following events are defined as "Events of Default" in the Indenture:

(1) default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise;

(2) default in the payment of interest or Additional Amounts on any Note when the same becomes due and payable, and such default continues for a period of 30 consecutive days;

(3) default in the performance or breach of the provisions of the covenant described under "— Consolidation, Merger and Sale of Assets," the failure by the Company to make or consummate an Offer to Purchase in the manner described under the captions "— Repurchase of Notes upon a Change of Control Triggering Event" or "— Limitation on Asset Sales," or the failure by the Company to create, or cause its Restricted Subsidiaries to create, a Lien on the Collateral (subject to any Permitted Liens and the Intercreditor Agreement) in accordance with the covenant described under the caption "— Security";

(4) the Company or any Restricted Subsidiary defaults in the performance of or breaches any other covenant or agreement in the Indenture or under the Notes (other than a default specified in clause (1), (2) or (3) above) and such default or breach continues for a period of 30 consecutive days after written notice by the Trustee or the Holders of 25% or more in aggregate principal amount of the Notes;

(5) there occurs with respect to any Indebtedness of the Company or any Restricted Subsidiary having an outstanding principal amount of US$20.0 million (or the Dollar Equivalent thereof) or more in the aggregate for all such Indebtedness of all such Persons, whether such Indebtedness now exists or shall hereafter be created, (a) an event of default that has caused the holder thereof to declare such Indebtedness to be due and payable prior to its Stated Maturity and/or (b) the failure to make a principal payment when due;

(6) one or more final judgments or orders for the payment of money are rendered against the Company or any of its Restricted Subsidiaries and are not paid or discharged, and there is a period of 60 consecutive days following entry of the final judgment or order that causes the aggregate amount for all such final judgments or orders outstanding and not paid or discharged against all such Persons to exceed US$20.0 million (or the Dollar Equivalent thereof) (in excess of amounts which the Company's insurance carriers have agreed to pay under applicable policies) during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect;

(7) an involuntary case or other proceeding is commenced against the Company or any Significant Restricted Subsidiary (or any group of Restricted Subsidiaries that together would constitute a Significant Restricted Subsidiary) with respect to it or its debts under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect seeking the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Significant Restricted Subsidiary (or any group of Restricted Subsidiaries that together would constitute a Significant Restricted Subsidiary) or for any substantial part of the property and assets of the Company or any Significant Restricted Subsidiary (or any group of Restricted Subsidiaries that together would constitute a Significant Restricted Subsidiary) and such involuntary case or other proceeding remains undismissed and unstayed for a period of 60 consecutive days; or an order for relief is entered against the Company or any Significant Restricted Subsidiary (or any group of Restricted Subsidiaries that together would constitute a Significant Restricted Subsidiary) under any applicable bankruptcy, insolvency or other similar law as now or hereafter in effect;

(8) the Company or any Significant Restricted Subsidiary (or any group of Restricted Subsidiaries that together would constitute a Significant Restricted Subsidiary) (a) commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (b) consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Significant Restricted Subsidiary (or any group of Restricted Subsidiaries that together would constitute a Significant Restricted Subsidiary) or for all or substantially all of the property and assets of the Company or any Significant Restricted Subsidiary (or any group of Restricted Subsidiaries that together would constitute a Significant Restricted Subsidiary) or (c) effects any general assignment for the benefit of creditors (other than, in each case under (b), any of the foregoing that arises from any solvent liquidation or restructuring of a Significant Restricted Subsidiary (or any group of Restricted Subsidiaries that together would constitute a Significant Restricted Subsidiary) in the ordinary course of business that shall result in the net assets of such Significant Restricted Subsidiary (or any group of Restricted Subsidiaries that together would constitute a Significant Restricted Subsidiary) being transferred to or otherwise vested in the Company or any Restricted Subsidiary on a pro rata basis or on a basis more favorable to the Company);

(9) any Subsidiary Guarantor or any JV Subsidiary Guarantor denies or disaffirms its obligations under its Subsidiary Guarantee or JV Subsidiary Guarantee or, except as permitted by the Indenture, any Subsidiary Guarantee or any JV Subsidiary Guarantee is determined to be unenforceable or invalid or shall for any reason cease to be in full force and effect;

(10) any default by the Company or any Subsidiary Guarantor Pledgor in the performance of any of its obligations under the Security Documents, which adversely affects the enforceability, validity, perfection or priority of the applicable Lien on the Collateral or which adversely affects the condition or value of the Collateral, taken as a whole, in any material respect; or

(11) the Company or any Subsidiary Guarantor Pledgor denies or disaffirms its obligations under any Security Document or, other than in accordance with the Indenture and the Security Documents, any Security Document ceases to be or is not in full force and effect or the Trustee ceases to have a security interest in the Collateral (subject to any Permitted Liens and the Intercreditor Agreement).

If an Event of Default (other than an Event of Default specified in clause (7) or (8) above) occurs and is continuing under the Indenture, the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding, by written notice to the Company (and to the Trustee if such notice is given by the Holders), may, and the Trustee at the request of such Holders shall (subject to receiving satisfactory indemnity and/or security from the Holders), declare the principal of, premium, if any, and accrued and unpaid interest on the Notes to be immediately due and payable. Upon a declaration of acceleration, such principal of, premium, if any, and accrued and unpaid interest shall be immediately due and payable. If an Event of Default specified in clause (7) or (8) above occurs with respect to the Company or any Significant Restricted Subsidiary (or any group of Restricted Subsidiaries that together would constitute a Significant Restricted Subsidiary), the principal of, premium, if any, and accrued and unpaid interest on the Notes then outstanding shall automatically become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

The Holders of at least a majority in aggregate principal amount of the outstanding Notes by written notice to the Company and to the Trustee may on behalf of the Holders waive all past defaults and rescind and annul a declaration of acceleration and its consequences if:

(1) all existing Events of Default, other than the nonpayment of the principal of, premium, if any, and interest on the Notes that have become due solely by such declaration of acceleration, have been cured or waived, and

(2) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Upon such waiver, the Default will cease to exist, and any Event of Default arising therefrom will be deemed to have been cured, but no such waiver will extend to any subsequent or other Default or impair any right consequent thereon.

If an Event of Default occurs and is continuing, the Trustee may pursue, in its own name or as trustee of an express trust, any available remedy by proceeding at law or in equity to collect the payment of principal of and interest on the Notes or, subject to the Intercreditor Agreement, to enforce the performance of any provision of the Notes, the Indenture or the Security Documents. The Trustee or the Collateral Agent may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding. In addition, if an Event of Default occurs and is continuing, the Trustee may, and shall upon written direction of the Holders of at least 25% in aggregate principal amount of outstanding Notes, instruct the Collateral Agent to foreclose on the Collateral in accordance with the terms of the Security Documents and the Indenture and take such further action on behalf of the Holders with respect to the Collateral as the Trustee deems appropriate. See "— Security."

Subject to the Intercreditor Agreement, the Holders of at least a majority in aggregate principal amount of the outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or the Collateral Agent or exercising any trust or power conferred on the Trustee. However, the Trustee or the Collateral Agent may refuse to follow any direction that conflicts with law or the Indenture, that may involve the Trustee or the Collateral Agent in personal liability, or that the Trustee or the Collateral Agent determines in good faith may be unduly prejudicial to the rights of Holders not joining in the giving of such direction and may take any other action it deems proper that is not inconsistent with any such direction received from Holders.

A Holder may not institute any proceeding, judicial or otherwise, with respect to the Indenture or the Notes, or for the appointment of a receiver or trustee, or for any other remedy under the Indenture or the Notes, unless:

(1) the Holder has previously given the Trustee written notice of a continuing Event of Default;

(2) the Holders of at least 25% in aggregate principal amount of outstanding Notes make a written request to the Trustee to pursue the remedy;

(3) such Holder or Holders offer the Trustee indemnity and/or security satisfactory to the Trustee against any costs, liability or expense to be incurred in compliance with such request;

(4) the Trustee does not comply with the request within 60 days after receipt of the request and the offer of indemnity and/or security satisfactory to it; and

(5) during such 60-day period, the Holders of a majority in aggregate principal amount of the outstanding Notes do not give the Trustee a direction that is inconsistent with the request.

However, such limitations do not apply to the right of any Holder to receive payment of the principal of, premium, if any, or interest on, such Note, or to bring suit for the enforcement of any such payment, on or after the due date expressed in the Notes, which right shall not be impaired or affected without the consent of the Holder.

Officers of the Company must certify, on or before a date not more than 120 days after the end of each fiscal year ending after the Original Issue Date, that a review has been conducted of the activities of the Company and its Restricted Subsidiaries and the Company's and its Subsidiary Guarantors' performance under the Indenture and that the Company has fulfilled all obligations thereunder, or, if there has been a default in the fulfillment of any such obligation, specifying each such default and the nature and status thereof. The Company will also be obligated to notify the Trustee of any default or defaults in the performance of any covenants or agreements under the Indenture. See "— Provision of Financial Statements and Reports."

**Consolidation, Merger and Sale of Assets**

The Company will not consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries' properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions), unless:

(1) the Company shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or that acquired or leased such property and assets (the "Surviving Person") shall be a corporation organized and validly existing under the laws of the Cayman Islands, Hong Kong or the British Virgin Islands and shall expressly assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of the Company under the Indenture, the Notes and the Security Documents, as the case may be, including the obligation to pay Additional Amounts with respect to any jurisdiction in which it is organized or resident for tax purposes or through which it makes payments, and the Indenture, the Notes and the Security Documents, as the case may be, shall remain in full force and effect;

(2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;

(3) immediately after giving effect to such transaction on a pro forma basis, the Company or the Surviving Person, as the case may be, shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;

(4) immediately after giving effect to such transaction on a pro forma basis the Company or the Surviving Person, as the case may be, could Incur at least US$1.00 of Indebtedness under the first paragraph of the covenant under the caption "— Limitation on Indebtedness and Preferred Stock";

(5) the Company delivers to the Trustee (x) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4)) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with;

(6) each Subsidiary Guarantor and JV Subsidiary Guarantor, unless such Subsidiary Guarantor or JV Subsidiary Guarantor is the Person with which the Company has entered into a transaction described under the caption "— Consolidation, Merger and Sale of Assets," shall execute and deliver a supplemental indenture to the Indenture confirming that its Subsidiary Guarantee or JV Subsidiary Guarantee, as applicable, shall apply to the obligations of the Company or the Surviving Person in accordance with the Notes and the Indenture; and

(7) no Rating Decline shall have occurred.

No Subsidiary Guarantor or JV Subsidiary Guarantor will consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries' properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions) to another Person (other than the Company or another Subsidiary Guarantor or, in the case of a JV Subsidiary Guarantor, other than to another JV Subsidiary Guarantor, the Company or a Subsidiary Guarantor), unless:

(1) such Subsidiary Guarantor or JV Subsidiary Guarantor shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or that acquired or leased such property and assets shall be the Company, another Subsidiary Guarantor or shall become a Subsidiary Guarantor concurrently with the transaction (or, in the case of a JV Subsidiary Guarantor, another JV Subsidiary Guarantor, the Company or a Subsidiary Guarantor); and shall expressly assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of such Subsidiary Guarantor or JV Subsidiary Guarantor under the Indenture, the Notes and the Security Documents, as the case may be, including the obligation to pay Additional Amounts with respect to any jurisdiction in which it is organized or resident for tax purposes or through which it makes payments, and the Indenture, the Notes and the Security Documents, as the case may be, shall remain in full force and effect;

(2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;

(3) immediately after giving effect to such transaction on a pro forma basis, the Company shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;

(4) immediately after giving effect to such transaction on a pro forma basis, the Company could Incur at least US$1.00 of Indebtedness under the first paragraph of the covenant under the caption "— Limitation on Indebtedness and Preferred Stock";

(5) the Company delivers to the Trustee (x) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4)) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with; and

(6) no Rating Decline shall have occurred;

*provided* that this paragraph shall not apply to any sale, conveyance, transfer, lease or other disposition that complies with the "— Limitation on Asset Sales" covenant or any Subsidiary Guarantor or JV Subsidiary Guarantor whose Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, is unconditionally released in accordance with the provisions described under "— The Subsidiary Guarantees — Release of the Subsidiary Guarantees and JV Subsidiary Guarantees."

For the avoidance of doubt, the preceding two paragraphs shall not apply to any sale, conveyance, transfer, lease or other disposition by any Non-Guarantor Subsidiary to any Restricted Subsidiary (or any Person which, upon the completion of such sale, conveyance, transfer, lease or disposition, will become a Restricted Subsidiary).

Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a Person.

The foregoing requirements shall not apply to a consolidation or merger of any Subsidiary Guarantor or JV Subsidiary Guarantor with and into the Company or any other Subsidiary Guarantor or JV Subsidiary Guarantor, so long as the Company or such Subsidiary Guarantor or JV Subsidiary Guarantor survives such consolidation or merger.

The foregoing provisions would not necessarily afford Holders protection in the event of highly-leveraged or other transactions involving the Company that may adversely affect Holders.

**No Payments for Consents**

The Company will not, and shall not permit any of its Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes unless such consideration is offered to be paid or is paid to all Holders that consent, waive or agree to amend such term or provision within the time period set forth in the solicitation documents relating to such consent, waiver or amendment.

Notwithstanding the foregoing, in any offer or payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of the Indenture, the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees in connection with an exchange or tender offer, the Company and any Restricted Subsidiary may exclude (i) Holders or beneficial owners of the Notes that are not institutional "accredited investors" as defined in Rule 501 under the Securities Act, and (ii) Holders or beneficial owners of the Notes in any jurisdiction where the inclusion of such Holders or beneficial owners would require the Company or any Restricted Subsidiary to comply with the registration requirements or other similar requirements under any securities laws of such jurisdiction, or the solicitation of such consent, waiver or amendment from, or the granting of such consent or waiver, or the approval of such amendment by, Holders or beneficial owners in such jurisdiction would be unlawful, in each case as determined by the Company in its sole discretion.

**Defeasance**

***Defeasance and Discharge***

The Indenture provides that the Company will be deemed to have paid and will be discharged from any and all obligations in respect of the Notes on the 183rd day after the deposit referred to below, and the provisions of the Indenture and the Security Documents will no longer be in effect with respect to the Notes (except for, among other matters, certain obligations to register the transfer or exchange of the

Notes, to replace stolen, lost or mutilated Notes, to maintain paying agencies, to pay Additional Amounts and to hold monies for payment in trust and certain rights, powers, trusts, duties and immunities of the Trustee, and the Company's obligations in connection therewith) if, among other things:

(1) the Company (a) has deposited with the Trustee (or its agent), in trust, money and/or U.S. Government Obligations that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity for such payments in accordance with the terms of the Indenture and the Notes and (b) delivers to the Trustee an Opinion of Counsel or a certificate of an internationally-recognized firm of independent accountants to the effect that the amount deposited by the Company is sufficient to provide payment for the principal of, premium, if any, and accrued interest on, the Notes on the Stated Maturity for such payment in accordance with the terms of the Indenture;

(2) the Company has delivered to the Trustee an Opinion of Counsel of recognized international standing to the effect that the creation of the defeasance trust does not violate the U.S. Investment Company Act of 1940, as amended, and after the passage of 123 days following the deposit, the trust fund will not be subject to the effect of Section 547 of the United States Bankruptcy Code or Section 15 of the New York Debtor and Creditor Law; and

(3) immediately after giving effect to such deposit on a pro forma basis, no Event of Default, or event that after the giving of notice or lapse of time or both would become an Event of Default, shall have occurred and be continuing on the date of such deposit or during the period ending on the 183rd day after the date of such deposit, and such defeasance shall not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which the Company or any of its Restricted Subsidiaries is a party or by which the Company or any of its Restricted Subsidiaries is bound.

In the case of either discharge or defeasance of the Notes, the Subsidiary Guarantees and JV Subsidiary Guarantees will terminate.

***Defeasance of Certain Covenants***

The Indenture further provides that (x) the provisions of the Indenture applicable to the Notes will no longer be in effect with respect to clauses (3), (4), (5)(x) and (7) under the first paragraph, and clauses (3), (4), (5)(x) and (6) under the second paragraph under "— Consolidation, Merger and Sale of Assets" and all the covenants described herein under "— Certain Covenants," other than as described under "— Certain Covenants — Government Approvals and Licenses; Compliance with Law" and "— Certain Covenants — Anti-Layering," and (y) clause (3) under "Events of Default" with respect to clauses (3), (4), (5)(x) and (7) under the first paragraph and clauses (3), (4), (5)(x) and (6) under the second paragraph under "Consolidation, Merger and Sale of Assets" and with respect to the other events set forth in clause (x) above, clause (4) under "Events of Default" with respect to such other covenants set forth in clause (x) above and clauses (5) and (6) under "Events of Default" shall be deemed not to be Events of Default upon, among other things, the deposit with the Trustee (or its agent), in trust, of money, U.S. Government Obligations or a combination thereof that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the Notes, and the satisfaction of the provisions described in clause (2) of the preceding paragraph.

***Defeasance and Certain Other Events of Default***

In the event that the Company exercises its option to omit compliance with certain covenants and provisions of the Indenture as described in the immediately preceding paragraph and the Notes are declared due and payable because of the occurrence of an Event of Default that remains applicable, the amount of money and/or U.S. Government Obligations on deposit with the Trustee (or its agent) will be sufficient to pay amounts due on the Notes at the time of their Stated Maturity but may not be sufficient to pay amounts due on the Notes at the time of the acceleration resulting from such Event of Default. However, the Company will remain liable for such payments.

## Amendments and Waiver

### *Amendments Without Consent of Holders*

The Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees (if any), Indenture, the Intercreditor Agreement or any Security Document may be amended, without the consent of any Holder, to:

(1) cure any ambiguity, defect, omission or inconsistency in the Indenture, the Notes, the Intercreditor Agreement or any Security Document;

(2) comply with the provisions described under "— Consolidation, Merger and Sale of Assets";

(3) evidence and provide for the acceptance of appointment by a successor Trustee;

(4) add any Subsidiary Guarantor or JV Subsidiary Guarantor, or any Subsidiary Guarantee or JV Subsidiary Guarantee, or release any Subsidiary Guarantor or JV Subsidiary Guarantor from any Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, as provided or permitted by the terms of the Indenture;

(5) provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture;

(6) add any Subsidiary Guarantor Pledgor or release any Subsidiary Guarantor Pledgor and any Collateral as provided or permitted by the terms of the Indenture;

(7) add additional Collateral to secure the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee;

(8) in any other case where a supplemental indenture to the Indenture is required or permitted to be entered into pursuant to the provisions of the Indenture without the consent of any Holder;

(9) effect any changes to the Indenture in a manner necessary to comply with the procedures of Euroclear or Clearstream or any applicable securities depositary or clearing systems;

(10) permit Permitted Pari Passu Secured Indebtedness (including, without limitation, permitting the Trustee and the Collateral Agent to enter into any amendments to the Intercreditor Agreement, the Security Documents or the Indenture, or any accession to the Intercreditor Agreement by the holders of Permitted Pari Passu Secured Indebtedness (or their representative) and take any other action necessary to permit the creation and registration of Liens on the Collateral to secure Permitted Pari Passu Secured Indebtedness, in accordance with the Indenture);

(11) to conform the text of the Indenture, the Notes or the Subsidiary Guarantees to any provision of this "Description of the Notes" to the extent that such provision in this "Description of the Notes" was intended to be a verbatim recitation of a provision of the Indenture, the Notes or the Subsidiary Guarantees; or

(12) make any other change that does not materially and adversely affect the rights of any Holder.

***Amendments With Consent of Holders***

The Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees (if any), Indenture, the Intercreditor Agreement or any Security Document may be amended with the consent of the Holders of not less than a majority in aggregate principal amount of the outstanding Notes and the Trustee may amend or waive future compliance by the Company, the Subsidiary Guarantor Pledgors, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) with any provision thereof; provided, however, that no such modification, amendment or waiver may, without the consent of each Holder affected thereby:

(1) change the Stated Maturity of the principal of, or any installment of interest on, any Note;

(2) reduce the principal amount of, or premium, if any, or interest on, any Note;

(3) change the place, currency or time of payment of principal of, or premium, if any, or interest on, any Note;

(4) impair the right to institute suit for the enforcement of any payment on or after the Stated Maturity (or, in the case of a redemption, on or after the redemption date) of any Note, any Subsidiary Guarantee or any JV Subsidiary Guarantee;

(5) reduce the above-stated percentage of outstanding Notes the consent of whose Holders is necessary to modify or amend the Indenture;

(6) waive a default in the payment of principal of, premium, if any, or interest on the Notes;

(7) release any Subsidiary Guarantor or JV Subsidiary Guarantor from its Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, except as provided in the Indenture;

(8) release any Collateral, except as provided in the Intercreditor Agreement, the Indenture and the Security Documents;

(9) reduce the percentage or aggregate principal amount of outstanding Notes the consent of whose Holders is necessary for waiver of compliance with certain provisions of the Indenture or for waiver of certain defaults;

(10) amend, change or modify any Subsidiary Guarantee or JV Subsidiary Guarantee in a manner that adversely affects the Holders;

(11) amend, change or modify any provision of the Intercreditor Agreement, any Security Document or the Indenture relating to the Collateral, in a manner that adversely affects the Holders, except in accordance with the other provisions of the Indenture;

(12) reduce the amount payable upon a Change of Control Offer or an Offer to Purchase with the Excess Proceeds from any Asset Sale or, change the time or manner by which a Change of Control Offer or an Offer to Purchase with the Excess Proceeds or other proceeds from any Asset Sale may be made or by which the Notes must be repurchased pursuant to a Change of Control Offer or an Offer to Purchase with the Excess Proceeds or other proceeds from any Asset Sale, whether through an amendment or waiver of provisions in the covenants, definitions or otherwise, unless such amendment, waiver or modification shall be in effect prior to the occurrence of a Change of Control Triggering Event or the event giving rise to the repurchase of the Notes under "— Limitation on Asset Sales";

(13) change the redemption date or the redemption price of the Notes from that stated under the captions "— Optional Redemption" or "— Redemption for Taxation Reasons";

(14) amend, change or modify the obligation of the Company or any Subsidiary Guarantor or any JV Subsidiary Guarantor to pay Additional Amounts; or

(15) amend, change or modify any provision of the Indenture or the related definition affecting the ranking of the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee in a manner which adversely affects the Holders.

**Unclaimed Money**

Claims against the Company for the payment of principal of, premium, if any, or interest, on the Notes will become void unless presentation for payment is made as required in the Indenture within a period of six years.

**No Personal Liability of Incorporators, Stockholders, Officers, Directors or Employees**

No recourse for the payment of the principal of, premium, if any, or interest on any of the Notes or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Company, any of the Subsidiary Guarantors or any of the JV Subsidiary Guarantors in the Indenture, or in any of the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees, or because of the creation of any Indebtedness represented thereby, shall be had against any incorporator, stockholder, officer, director, employee or controlling person of the Company, any of the Subsidiary Guarantors or JV Subsidiary Guarantors, or of any successor Person thereof. Each Holder, by accepting the Notes, waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees. Such waiver may not be effective to waive liabilities under the federal securities laws.

**Concerning the Collateral Agent, the Trustee and the Agents**

DB Trustees (Hong Kong) Limited has been appointed as Trustee under the Indenture and as Collateral Agent with regard to the Collateral under the Security Documents and the Intercreditor Agreement. Deutsche Bank AG, Hong Kong Branch has been appointed as note registrar (the "Note Registrar") and Deutsche Bank AG, Hong Kong Branch has been appointed as paying and transfer agent (the "Paying Agent") with respect to the notes. The Note Registrar, the Collateral Agent and the Paying Agent are collectively the "Agents." Except during the continuance of an Event of Default, the Trustee will undertake to perform such duties and only such duties as are specifically set forth in the Indenture and the Notes, and no implied covenant or obligation shall be read into the Indenture, the Notes (as the case may be) against the Trustee or any Agent. If an Event of Default has occurred and is continuing, the Trustee will use the same degree of care and skill in its exercise of the rights and powers vested in it under the Indenture or the Notes as a prudent person would exercise under the circumstances in the conduct of such person's own affairs.

DB Trustees (Hong Kong) Limited initially acts as Collateral Agent under the Security Documents, the Intercreditor Agreement and the Indenture in respect of the Security over the Collateral. The Collateral Agent, acting in its capacity as such, shall have such duties with respect to the Collateral pledged, assigned or granted pursuant to the Security Documents as are set forth in the Indenture, the Security Documents and the Intercreditor Agreement. The Trustee and the Collateral Agent will be under no obligation to exercise any rights or powers conferred under the Indenture or any of the Security Documents and the Intercreditor Agreement for the benefit of the Holders unless such Holders have offered to the Trustee and the Collateral Agent indemnity and/or security satisfactory to the Trustee and the Collateral Agent against any loss, liability or expense.

The Indenture contains certain limitations on the rights of the Trustee, should it become a creditor of the Company or any of the Subsidiary Guarantors and the JV Subsidiary Guarantors, to obtain payment of claims in certain cases or to realize on certain property received by it in respect of any such claim, as security or otherwise. The Trustee is permitted to engage in other transactions with the Company and its Affiliates; provided, however, that if it acquires any conflicting interest, it must eliminate such conflict or resign.

Under certain circumstances, the Trustee and the Collateral Agent may have obligations under the Security Documents and the Intercreditor Agreement that are in conflict with the interests of the Holders, the holders of the Existing Pari Passu Secured Indebtedness and the holders (or their representatives) of Permitted Pari Passu Secured Indebtedness, if any. Neither the Trustee nor the Collateral Agent will be under any obligation to exercise any rights or powers conferred under the Indenture or any of the Security Documents, and the Intercreditor Agreement for the benefit of the Holders, the holders of the Existing Pari Passu Secured Indebtedness or the holders (or their representatives) of Permitted Pari Passu Secured Indebtedness, unless such Holders, the holders of the Existing Pari Passu Secured Indebtedness and/or the holders (or their representatives) of Permitted Pari Passu Secured Indebtedness have provided to the Trustee and/or the Collateral Agent (as applicable) indemnity and/or security satisfactory to the Trustee and/or the Collateral Agent (as applicable) against any loss, liability or expense. Furthermore, each Holder, by accepting the notes will agree, for the benefit of the Trustee, that it is solely responsible for its own independent appraisal of and investigation into all risks arising under or in connection with the Security Documents and the Intercreditor Agreement and has not relied on and will not at any time rely on the Trustee in respect of such risks. None of the Trustee, the Paying Agent and the Collateral Agent shall be responsible for the performance by any other person appointed by the Company in relation to the Notes and, unless notified in writing to the contrary, shall assume that the same are being duly performed. None of the Trustee, the Paying Agent and the Collateral Agent shall be liable to any Holder or any other person for any action taken by the Holders, the Trustee, the Paying Agent or the Collateral Agent in accordance with the instructions of the Holders. Each of the Trustee, the Paying Agent and the Collateral Agent shall be entitled to rely on any written direction of the Holders which has been duly given by the Holders in accordance with the Indenture. None of the Trustee, the Paying Agent and the Collateral Agent shall be deemed to have knowledge of any event unless it has been actually notified of such event or have actual knowledge thereof. The Trustee and the Collateral Agent are entitled to rely on all instructions, notices, declarations, calculations and certifications received pursuant to the Indenture, the Intercreditor Agreement and the Security Documents without investigating the accuracy, authenticity and validity of these instructions, notices, declarations, calculations and certifications. Pursuant to the terms of the Indenture, the Notes or the Security Documents (as the case may be), the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors will reimburse the Trustee and the Collateral Agent for all reasonable expenses.

**Book-Entry; Delivery and Form**

The New 2024 Notes will be represented by a global note in registered form without interest coupons attached (the "Global Note"). On the issue date of the New 2024 Notes, the Global Note representing the New 2024 Notes will be deposited with a common depositary and registered in the name of the common depositary or its nominee for the accounts of Euroclear and Clearstream.

***Global Note***

Ownership of beneficial interests in the Global Note (the "book-entry interests") will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that may hold interests through such participants. Book-entry interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream and their participants.

So long as the Notes are held in global form, the common depositary for Euroclear and/or Clearstream (or its nominee) will be considered the sole holder of the Global Note for all purposes under the Indenture and "holders" of book-entry interests will not be considered the owners or "Holders" of Notes for any purpose. As such, participants must rely on the procedures of Euroclear and Clearstream and indirect participants must rely on the procedures of the participants through which they own book-entry interests in order to transfer their interests in the Notes or to exercise any rights of Holders under the Indenture.

None of the Company, the Trustee or any of their respective agents will have any responsibility or be liable for any aspect of the records relating to the book-entry interests. The Notes are not issuable in bearer form.

***Payments on the Global Note***

Payments of any amounts owing in respect of the Global Note (including principal, premium, interest and Additional Amounts) will be made to the Paying Agent in U.S. dollars. The Paying Agent will, in turn, make such payments to the common depositary for Euroclear and Clearstream, which will distribute such payments to participants in accordance with their procedures. Each of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors will make payments of all such amounts without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law and as described under "— Additional Amounts."

Under the terms of the Indenture, the Company, any Subsidiary Guarantor, any JV Subsidiary Guarantor and the Trustee will treat the registered holder of the Global Note (i.e., the common depositary or its nominee) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors, the Trustee or any of their respective agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest, for any such payments made by Euroclear, Clearstream or any participant or indirect participants, or for maintaining, supervising or reviewing any of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest; or

- any action or any failure to take action by Euroclear, Clearstream or any participant or indirect participant.

Payments by participants to owners of book-entry interests held through participants are the responsibility of such participants.

***Redemption of Global Note***

In the event any Global Note, or any portion thereof, is redeemed, the common depositary will distribute the U.S. dollar amount received by it in respect of the Global Note so redeemed to Euroclear and/or Clearstream, as applicable, who will distribute such amount to the holders of the book-entry interests in such Global Note. The redemption price payable in connection with the redemption of such book-entry interests will be equal to the U.S. dollar amount received by the common depositary, Euroclear or Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof).

The Company understands that under existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate; provided, however, that no book-entry interest of US$200,000 principal amount, or less, as the case may be, will be redeemed in part.

***Action by Owners of Book-Entry Interests***

Euroclear and Clearstream have advised that they will take any action permitted to be taken by a Holder of Notes only at the direction of one or more participants to whose account the book-entry interests in the Global Note are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction.

Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Note.

***Transfers***

Transfers between participants in Euroclear and Clearstream will be effected in accordance with Euroclear and Clearstream's rules and will be settled in immediately available funds. If a Holder requires physical delivery of individual definitive notes for any reason, including to sell the Notes to persons in jurisdictions which require physical delivery of such securities or to pledge such securities, such Holder must transfer its interest in the Global Note in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the provisions of the Indenture.

Book-entry interests in the Global Note will be subject to the restrictions on transfer discussed under "Transfer Restrictions."

Any book-entry interest in a Global Note that is transferred to a person who takes delivery in the form of a book-entry interest in another Global Note will, upon transfer, cease to be a book-entry interest in the first-mentioned Global Note and become a book-entry interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to book-entry interests in such other Global Note for as long as it retains such a book-entry interest.

***Global Clearance and Settlement Under the Book-Entry System***

Book-entry interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable. Book-entry interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

The book-entry interests will trade through participants of Euroclear or Clearstream, and will settle in same-day funds. Since the purchaser determines the place of delivery, it is important to establish at the time of trading of any book-entry interests where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

**Information Concerning Euroclear and Clearstream**

We understand as follows with respect to Euroclear and Clearstream:

Euroclear and Clearstream hold securities for participating organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their participants, among other things, services for safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions, such as underwriters, securities brokers and dealers, banks and trust companies, and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Although the foregoing sets out the procedures of Euroclear and Clearstream in order to facilitate the original issue and subsequent transfers of interests in the Notes among participants of Euroclear and Clearstream, neither Euroclear nor Clearstream is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time.

None of the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors, the Trustee or any of their respective agents will have responsibility for the performance of Euroclear or Clearstream or their respective participants of their respective obligations under the rules and procedures governing their operations, including, without limitation, rules and procedures relating to book-entry interests.

***Individual Definitive Notes***

If (1) the common depositary or any successor to the common depositary is at any time unwilling or unable to continue as a depositary for the reasons described in the Indenture and a successor depositary is not appointed within 90 days, (2) either Euroclear or Clearstream, or a successor clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention to permanently cease business or does in fact do so, or (3) any of the Notes has become immediately due and payable in accordance with "— Events of Default" and the Company has received a written request from a Holder, the Company will issue individual definitive notes in registered form in exchange for the Global Note. Upon receipt of such notice from the common depositary or the Trustee, as the case may be, the Company will use its best efforts to make arrangements with the common depositary for the exchange of interests in the Global Note for individual definitive notes and cause the requested individual definitive notes to be executed and delivered to the Note Registrar in sufficient quantities and authenticated by the Note Registrar for delivery to Holders. Persons exchanging interests in a Global Note for individual definitive notes will be required to provide the Note Registrar, through the relevant clearing system, with written instruction and other information required by the Company and the Note Registrar to complete, execute and deliver such individual definitive notes. In all cases, individual definitive notes delivered in exchange for any Global Note or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by the relevant clearing system.

Individual definitive notes will not be eligible for clearing and settlement through Euroclear or Clearstream.

**Notices**

All notices or demands required or permitted by the terms of the Notes or the Indenture to be given to or by the Holders are required to be in writing and may be given or served by being sent by prepaid courier or by being deposited, first-class postage prepaid, in the United States mails (if intended for the Company or any Subsidiary Guarantor) addressed to the Company or such Subsidiary Guarantor at the principal address of the Company; (if intended for the Trustee), at the corporate trust office of the Trustee; and (if intended for any Holder) addressed to such Holder at such Holder's last address as it appears in the Note register (or otherwise delivered to such Holders in accordance with applicable Euroclear or Clearstream procedures).

Any such notice or demand will be deemed to have been sufficiently given or served when so sent or deposited and, if to the Holders, when delivered in accordance with the applicable rules and procedures of Euroclear or Clearstream, as the case may be. Any such notice shall be deemed to have been delivered on the day such notice is delivered to Euroclear or Clearstream, as the case may be, or if by mail, when so sent or deposited.

**Consent to Jurisdiction; Service of Process**

The Company and each of the Subsidiary Guarantors have irrevocably (1) submitted to the non-exclusive jurisdiction of any U.S. federal or New York state court located in the Borough of Manhattan, The City of New York in connection with any suit, action or proceeding arising out of, or relating to, the Notes, any Subsidiary Guarantee, any JV Subsidiary Guarantee, the Indenture; and (2) designated and appointed Cogency Global Inc. at 122 East 42nd Street, 18th Floor, New York, NY 10168, USA for receipt of service of process in any such suit, action or proceeding.

**Governing Law**

Each of the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Indenture provides that such instrument is or will be, as applicable, governed by, and construed in accordance with, the laws of the State of New York. The relevant pledge documents pursuant to "— Security" will be governed under the laws of the jurisdiction in which the relevant Subsidiary Guarantor whose shares are pledged is incorporated.

**Definitions**

Set forth below are defined terms used in the covenants and other provisions of the Indenture. Reference is made to the Indenture for other capitalized terms used in this "Description of the Notes" for which no definition is provided.

"2012 Notes" means the 12.5% senior notes due 2017 issued by the Company on October 16, 2012 and which have been fully redeemed.

"2013 Notes" means the 9.375% senior notes due 2018 issued by the Company on April 5, 2013 and which have been fully redeemed.

"2019 CCB Facilities" means the term loan facilities granted under the 2019 CCB Facilities Agreement.

"2019 CCB Facility Agent" means China Construction Bank (Asia) Corporation Limited as the facility agent of the finance parties under the 2019 CCB Facilities Agreement.

"2019 CCB Facilities Agreement" means a term loan facilities agreement dates August 20, 2019 between, among others, the Company and the 2019 CCB Facility Agent.

"Acquired Indebtedness" means Indebtedness of a Person existing at the time such Person becomes a Restricted Subsidiary or Indebtedness of a Restricted Subsidiary assumed in connection with an Asset Acquisition by such Restricted Subsidiary whether or not Incurred in connection with, or in contemplation of, the Person merging with or into or becoming a Restricted Subsidiary.

"Adjusted Treasury Rate" means, with respect to any redemption date, (i) the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated "H.15(519)" or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption "Treasury Constant Maturities", for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three (3) months before or after January 26, 2023, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the Adjusted Treasury Rate shall be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month) or (ii) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per year equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date, in each case calculated on the third Business Day immediately preceding the redemption date.

"Affiliate" means, with respect to any Person, any other Person (1) directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person; (2) who is a director or officer of such Person or any Subsidiary of such Person or of any Person referred to in clause (1) of this definition; or (3) who is a spouse or any person cohabiting as a spouse, child or step-child, parent or step-parent, brother, sister, step-brother or step-sister, parent-in-law, grandchild, grandparent, uncle, aunt, nephew and niece of a Person described in clause (1) or (2). For purposes of this definition, "control" (including, with correlative meanings, the terms "controlling," "controlled by" and "under common control with"), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

"Applicable Premium" means with respect to any Note at any redemption date, the greater of (1) 1.00% of the principal amount of such Note and (2) the excess of (A) the present value at such redemption date of (x) the redemption price of such Note at January 26, 2023 (such redemption price being set forth in the first paragraph under the caption "Optional Redemption"), plus (y) all required remaining scheduled interest payments due on such Note through January 26, 2023 (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the Adjusted Treasury Rate plus 100 basis points, over (B) the principal amount of such Note on such redemption date.

"April 2023 Notes" means the 8.35% senior notes due 2023 issued by the Company on April 19, 2018 and March 25, 2019.

"April 2024 Notes" means the 5.95% senior notes due 2024 issued by the Company on January 26, 2021.

"Asset Acquisition" means (1) an investment by the Company or any of its Restricted Subsidiaries in any other Person pursuant to which such Person shall become a Restricted Subsidiary or shall be merged into or consolidated with the Company or any of its Restricted Subsidiaries; or (2) an acquisition by the Company or any of its Restricted Subsidiaries of the property and assets of any Person other than the Company or any of its Restricted Subsidiaries that constitute substantially all of a division or line of business of such Person.

"Asset Disposition" means the sale or other disposition by the Company or any of its Restricted Subsidiaries (other than to the Company or another Restricted Subsidiary) of (1) all or substantially all of the Capital Stock of any Restricted Subsidiary; or (2) all or substantially all of the assets that constitute a division or line of business of the Company or any of its Restricted Subsidiaries.

"Asset Sale" means any sale, transfer or other disposition (including by way of merger, consolidation or Sale and Leaseback Transaction) of any of its property or assets (including any sale of Capital Stock of a Subsidiary or issuance of Capital Stock by a Restricted Subsidiary) in one transaction or a series of related transactions by the Company or any of its Restricted Subsidiaries to any Person; *provided* that "Asset Sale" shall not include:

(1) sales or other dispositions of inventory, receivables and other current assets (including properties under development for sale and completed properties for sale) in the ordinary course of business;

(2) sales, transfers or other dispositions of assets constituting a Permitted Investment or Restricted Payment permitted to be made under the "— Limitation on Restricted Payments" covenant;

(3) sales, transfers or other dispositions of assets with a Fair Market Value not in excess of US$1 million (or the Dollar Equivalent thereof) in any transaction or series of related transactions;

(4) any sale, transfer, assignment or other disposition of any property, or equipment that has become damaged, worn out, obsolete or otherwise unsuitable for use in connection with the business of the Company or its Restricted Subsidiaries;

(5) any transfer, assignment or other disposition deemed to occur in connection with creating or granting any Permitted Lien;

(6) a transaction covered by the covenant under the caption "— Consolidation, Merger and Sale of Assets";

(7) any sale, transfer or other disposition by the Company or any of its Restricted Subsidiaries, including the sale or issuance by the Company or any Restricted Subsidiary of any Capital Stock of any Restricted Subsidiary, to the Company, any Restricted Subsidiary or any Person that will, upon consummation of such sale, transfer or other disposition, become a Restricted Subsidiary; and

(8) sales, transfers or other dispositions by the Company or any of its Restricted Subsidiaries of any Receivable Financing Assets pursuant to a Receivable Financing permitted by the Indenture.

"Attributable Indebtedness" means, in respect of a Sale and Leaseback Transaction, the present value, discounted at the interest rate implicit in the Sale and Leaseback Transaction, of the total obligations of the lessee for rental payments during the remaining term of the lease in the Sale and Leaseback Transaction.

"August 2022 Notes" means the 7.950% senior notes due 2022 issued by the Company on August 8, 2017.

"August 2024 Notes" means the 6.65% senior notes due 2024 issued by the Company on August 3, 2020 and December 1, 2020.

"Average Life" means, at any date of determination with respect to any Indebtedness, the quotient obtained by dividing (1) the sum of the products of (a) the number of years from such date of determination to the dates of each successive scheduled principal payment of such Indebtedness and (b) the amount of such principal payment by (2) the sum of all such principal payments.

"Bank Deposit Secured Indebtedness" means Indebtedness of the Company or any Restricted Subsidiary that is (1) secured by Liens over one or more bank accounts or deposits or other assets of the Company or a Restricted Subsidiary or (2) guaranteed by a guarantee or a letter of credit (or similar instruments) from or arranged by the Company or a Restricted Subsidiary and is used by the Company and its Restricted Subsidiaries to effect exchanges of U.S. dollars or Hong Kong dollars into Renminbi or vice versa or remit money into or outside the PRC.

"Board of Directors" means the board of directors elected or appointed by the shareholders of the Company to manage the business of the Company or any committee of such board duly authorized to take the action purported to be taken by such committee.

"Board Resolution" means any resolution of the Board of Directors taking an action which it is authorized to take and adopted at a meeting duly called and held at which a quorum of disinterested members (if so required) was present and acting throughout or adopted by written resolution executed by every member of the Board of Directors.

"Business Day" means any day which is not a Saturday, Sunday, legal holiday or other day on which banking institutions in The City of New York, London or Hong Kong (or in any other place in which payments on the Notes are to be made) are authorized by law or governmental regulation to close.

"Capitalized Lease" means, with respect to any Person, any lease of any property (whether real, personal or mixed) which, in conformity with GAAP, is required to be capitalized on the balance sheet of such Person, *provided* that Capitalized Lease shall not include any lease which would have been classified as an "operating lease" before the adoption of GAAP 16.

"Capitalized Lease Obligations" means the discounted present value of the rental obligations under a Capitalized Lease.

"Capital Stock" means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) in equity of such Person, whether outstanding on the Original Issue Date or issued thereafter, including, without limitation, all Common Stock and Preferred Stock, but excluding debt securities convertible into such equity.

"Change of Control" means the occurrence of one or more of the following events:

(1) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Company and its Restricted Subsidiaries, taken as a whole, to any "person" (within the meaning of Section 13(d) of the Exchange Act), other than one or more Permitted Holders;

(2) the Company consolidates with, or merges with or into, any Person (other than one or more Permitted Holders), or any Person consolidates with, or merges with or into, the Company, in any such event pursuant to a transaction in which any of the outstanding Voting Stock of the Company or such other Person is converted into or exchanged for cash, securities or other property, other than any such transaction where the Voting Stock of the Company outstanding immediately prior to such transaction is converted into or exchanged for (or continues as) Voting Stock (other than Disqualified Stock) of the surviving or transferee Person constituting a majority of the outstanding shares of Voting Stock of such surviving or transferee Person (immediately after giving effect to such issuance) and in substantially the same proportion as before the transaction;

(3) the Permitted Holders are the beneficial owners of less than 30% of the total voting power of the Voting Stock of the Company;

(4) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the "beneficial owner" (as such term is used in Rule 13d-3 of the Exchange Act), directly or indirectly, of total voting power of the Voting Stock of the Company greater than such total voting power held beneficially by the Permitted Holders;

(5) individuals who on the Original Issue Date constituted the board of directors of the Company, together with any new directors whose election by the board of directors was approved by a vote of at least a majority of the directors present at the meeting voting on such election who were either directors or whose election was previously so approved, cease for any reason to constitute a majority of the board of directors of the Company then in office; or

(6) the adoption of a plan relating to the liquidation or dissolution of the Company.

"Change of Control Triggering Event" means the occurrence of both a Change of Control and, *provided* that the Notes are rated by at least one Rating Agency, a Rating Decline.

"Clearstream" means Clearstream Banking S.A.

"Collateral" means all collateral securing, or purported to be securing, directly or indirectly, the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee pursuant to the Security Documents, and shall initially consist of the Capital Stock of the initial Subsidiary Guarantors; provided that Collateral shall not include any collateral in respect of which the security granted under the Security Documents has been released in accordance with the Indenture.

"Commodity Hedging Agreement" means any spot, forward or option commodity price protection agreements or other similar agreement or arrangement designed to protect against fluctuations in commodity prices.

"Common Stock" means, with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person's common stock or ordinary shares, whether or not outstanding at the date of the Indenture, and includes, without limitation, all series and classes of such common stock or ordinary shares.

"Comparable Treasury Issue" means the U.S. Treasury security having a maturity comparable to January 26, 2023 that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to January 26, 2023.

"Comparable Treasury Price" means, with respect to any redemption date, if clause (ii) of the Adjusted Treasury Rate is applicable, the average of three, or such lesser number as is available Reference Treasury Dealer Quotations for such redemption date.

"Consolidated Assets" means, with respect to any Restricted Subsidiary at any date of determination, the Company and its Restricted Subsidiaries' proportionate interest in the total consolidated assets of that Restricted Subsidiary and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent fiscal quarter period for which consolidated financial statements of the Company and its Restricted Subsidiaries (which the Company shall use its best efforts to compile on a timely manner) are available (which may be internal consolidated financial statements).

"Consolidated EBITDA" means, for any period, Consolidated Net Income for such period plus, to the extent such amount was deducted in calculating such Consolidated Net Income:

(1) Consolidated Interest Expense,

(2) income taxes (other than income taxes attributable to extraordinary and non-recurring gains (or losses) or sales of assets) including, without limitation, Land Appreciation Tax and Enterprise Income Tax, and

(3) depreciation expense, amortization expense, impairment provisions, any share of profit of investments accounted for by the equity method of accounting that was excluded in computing Consolidated Net Income and all other non-cash items reducing Consolidated Net Income (other than non-cash items in a period which reflect cash expenses paid or to be paid in another period and losses on Investment Properties arising from fair value adjustments made in conformity with GAAP), less any share of loss of investments accounted for by the equity method of accounting that was excluded in computing Consolidated Net Income and all non-cash items increasing Consolidated Net Income (other than gains on Investment Properties arising from fair value adjustments made in conformity with GAAP),

all as determined on a consolidated basis for the Company and its Restricted Subsidiaries in conformity with GAAP; *provided* that (1) if any Restricted Subsidiary is not a Wholly Owned Restricted Subsidiary, Consolidated EBITDA shall be reduced (to the extent not otherwise reduced in accordance with GAAP) by an amount equal to (A) the amount of the Consolidated Net Income attributable to such Restricted Subsidiary multiplied by (B) the percentage ownership interest in the income of such Restricted Subsidiary not owned on the last day of such period by the Company or any of its Restricted Subsidiaries and (2) in the case of any future PRC CJV (consolidated in accordance with GAAP), Consolidated EBITDA shall be reduced (to the extent not already reduced in accordance with GAAP) by any payments, distributions or amounts (including the Fair Market Value of any non-cash payments, distributions or amounts) required to be made or paid by such PRC CJV to the PRC CJV Partner, or to which the PRC CJV Partner otherwise has a right or is entitled, pursuant to the joint venture agreement governing such PRC CJV.

"Consolidated Fixed Charges" means, for any period, the sum (without duplication) of (1) Consolidated Interest Expense for such period and (2) all cash and non-cash dividends paid, declared, accrued or accumulated during such period on any Disqualified Stock or Preferred Stock of the Company

or any Restricted Subsidiary held by Persons other than the Company or any Wholly Owned Restricted Subsidiary, except for dividends payable in the Company's Capital Stock (other than Disqualified Stock) or paid to the Company or to a Wholly Owned Restricted Subsidiary.

"Consolidated Interest Expense" means, for any period, the amount that would be included in gross interest expense on a consolidated income statement prepared in accordance with GAAP for such period of the Company and its Restricted Subsidiaries, plus, to the extent not included in such gross interest expense, and to the extent incurred, accrued or payable during such period by the Company and its Restricted Subsidiaries, without duplication, (1) interest expense attributable to Capitalized Lease Obligations, (2) amortization of debt issuance costs and original issue discount expense and non-cash interest payments in respect of any Indebtedness, (3) the interest portion of any deferred payment obligation, (4) all commissions, discounts and other fees and charges with respect to letters of credit or similar instruments issued for financing purposes or in respect of any Indebtedness, (5) the net costs associated with Hedging Obligations (including the amortization of fees), (6) interest accruing on Indebtedness of any other Person (other than the Company or any Restricted Subsidiary) that is Guaranteed by, or secured by a Lien on any asset of, the Company or any Restricted Subsidiary (other than Pre-Registration Mortgage Guarantees); *provided* that if such other Person is organized under the laws of the PRC, only to the extent that such interest is actually paid by the Company or any Restricted Subsidiary and (7) any capitalized interest, *provided* that Consolidated Interest Expense shall not include (x) interest expense attributable to leases which would have been classified as "operating leases" before the adoption of GAAP 16 and (y) interest expense accruing on pre-sale receipts in advance from customers; and *provided further* that interest expense attributable to interest on any Indebtedness bearing a floating interest rate will be computed on a pro forma basis as if the rate in effect on the date of determination had been the applicable rate for the entire relevant period, in each case, minus interest income for such period.

"Consolidated Net Income" means, with respect to any specified Person for any period, the aggregate of the net income (or loss) of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, determined in conformity with GAAP; *provided* that the following items shall be excluded in computing Consolidated Net Income (without duplication):

(1) the net income (or loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting except that:

    (a) subject to the exclusion contained in clause (5) below, the Company's equity in the net income of any such Person for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person during such period to the Company or a Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution paid to a Restricted Subsidiary, to the limitations contained in clause (3) below); and

    (b) the Company's equity in a net loss of any such Person for such period shall be included in determining such Consolidated Net Income to the extent funded with cash or other assets of the Company or Restricted Subsidiaries;

(2) the net income (or loss) of any Person accrued prior to the date it becomes a Restricted Subsidiary or is merged into or consolidated with the Company or any of its Restricted Subsidiaries or all or substantially all of the property and assets of such Person are acquired by the Company or any of its Restricted Subsidiaries;

(3) the net income (but not loss) of any Restricted Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Restricted Subsidiary of such net income is not at the time permitted by the operation of the terms of its charter, articles of association or other similar constitutive documents, or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Restricted Subsidiary;

(4) the cumulative effect of a change in accounting principles;

(5) any net after tax gains realized on the sale or other disposition of (a) any property or assets of the Company or any Restricted Subsidiary which is not sold in the ordinary course of its business or (b) any Capital Stock of any Person (including any gains by the Company realized on sales of Capital Stock of the Company or other Restricted Subsidiaries) which is not sold in the ordinary course of its business. For the avoidance of doubt, for purposes of both sub-clauses (a) and (b), the sale or disposition of any real property or related project or development or the sale or disposition of Capital Stock primarily made for the purposes of the sale or disposition of any real property or related project or development shall be deemed to be made in the ordinary course of business of the Company and its Restricted Subsidiaries;

(6) any translation gains and losses due solely to fluctuations in currency values and related tax effects; and

(7) any net after-tax extraordinary or non-recurring gains or losses;

*provided* that (A) solely for purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio, any net after tax gains derived from direct or indirect sale by the Company or any Restricted Subsidiary of (i) Capital Stock of a Restricted Subsidiary primarily engaged in the holding of Investment Property or (ii) an interest in any Investment Property arising from the difference between the current book value and the cash sale price shall be added to Consolidated Net Income; (B) for purposes of the Consolidated Net Income calculation (but not for purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio) any net after tax gains derived from direct or indirect sale by the Company or any Restricted Subsidiary of (i) Capital Stock of a Restricted Subsidiary primarily engaged in the holding of Investment Property or (ii) an interest in any Investment Property arising from the difference between the original cost basis and the cash sale price shall be added to Consolidated Net Income to the extent not already included in the net income for such period as determined in conformity with GAAP and Consolidated Net Income and (C) solely for the purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio, any net after tax gains on Investment Properties arising from fair value adjustments made in conformity with GAAP shall be added to Consolidated Net Income.

"Consolidated Net Worth" means, at any date of determination, stockholders' equity as set forth on the most recently available fiscal quarter consolidated balance sheet (which may be an internal consolidated balance sheet) of the Company and its Restricted Subsidiaries, plus, to the extent not included, any Preferred Stock of the Company, less any amounts attributable to Disqualified Stock or any equity security convertible into or exchangeable for Indebtedness, the cost of treasury stock and the principal amount of any promissory notes receivable from the sale of the Capital Stock of the Company or any of its Restricted Subsidiaries, each item to be determined in conformity with GAAP.

"Contractor Guarantees" means any Guarantee by the Company or any Restricted Subsidiary of Indebtedness of any contractor, builder or other similar Person engaged by the Company or such Restricted Subsidiary in connection with the development, construction or improvement of real or personal property or equipment to be used by the Company or any Restricted Subsidiary in the ordinary course of business, which Indebtedness was Incurred by such contractor, builder or other similar Person to finance the cost of such development, construction or improvement.

"Credit Facilities" means one or more of the facilities or arrangements with one or more banks or other lenders or institutions providing for revolving credit loans, term loans, receivables or financings (including without limitation through the sale of receivables or assets to such institutions or to special purpose entities formed to borrow from such institutions against such receivables or assets or the creation of any Liens in respect of such receivables or assets in favor of such institutions), letters of credit or other Indebtedness, in each case, including all agreements, instruments and documents executed and delivered pursuant to or in connection with any of the foregoing, including but not limited to any notes and letters of credit issued pursuant thereto and any guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other guarantees, pledge agreements, security agreements and collateral documents, in each case as the same may be amended, supplemented, waived or otherwise modified from time to time, or refunded refinanced, restructured, replaced, renewed, repaid,

increased or extended from time to time (whether in whole or in part, whether with the original banks, lenders or institutions or other banks, lenders or institutions or otherwise, and whether provided under any original Credit Facility or one or more other credit agreements, indentures, financing agreements or other Credit Facilities or otherwise). Without limiting the generality of the foregoing, the term "Credit Facility" shall include any agreement (1) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (2) adding Subsidiaries as additional borrowers or guarantors thereunder, (3) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder (*provided* that such increase is permitted under the covenant described under "— Certain Covenants — Limitation on Indebtedness and Preferred Stock") or (4) otherwise altering the terms and conditions thereof.

"Creditor Representatives" means, collectively, the Trustee, the trustee for the August 2022 Notes, the trustee for the July 2021 Notes, the trustee for the April 2023 Notes, the trustee for the October 2023 Notes, the trustee for the June 2022 Notes, the trustee for the February 2024 Notes, the trustee for the January 2025 Notes, the trustee for the July 2023 Notes, the trustee for the July 2025 Notes, the trustee for the August 2024 Notes, the trustee for the January 2026 Notes, the 2019 CCB Facility Agent and the representatives or the holders of any other Existing Pari Passu Secured Indebtedness and any future Permitted Pari Passu Secured Indebtedness (or the representative or agent thereof, if any).

"Currency Agreement" means any foreign exchange forward contract, currency swap agreement or other similar agreement or arrangement designed to protect against fluctuations in foreign exchange rates.

"Debt Documents" means, collectively, the Indenture, the indenture for the August 2022 Notes, the indenture for the July 2021 Notes, the indenture for the April 2023 Notes, the indenture for the October 2023 Notes, the indenture for the June 2022 Notes, the indenture for the February 2024 Notes, the indenture for the January 2025 Notes, the indenture for the July 2023 Notes, the indenture for the July 2025 Notes, the indenture for the August 2024 Notes, the indenture for the January 2026 Notes, the 2019 CCB Facilities Agreement and the documents evidencing any other Existing Pari Passu Secured Indebtedness and any future Permitted Pari Passu Secured Indebtedness.

"Default" means any event that is, or after notice or passage of time or both would be, an Event of Default.

"Disqualified Stock" means any class or series of Capital Stock of any Person that by its terms or otherwise is (1) required to be redeemed prior to the date that is 183 days after the Stated Maturity of the Notes, (2) redeemable at the option of the holder of such class or series of Capital Stock at any time prior to the date that is 183 days after the Stated Maturity of the Notes or (3) convertible into or exchangeable for Capital Stock referred to in clause (1) or (2) above or Indebtedness having a scheduled maturity prior to the Stated Maturity of the Notes; *provided* that any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of an "asset sale" or "change of control" occurring prior to the Stated Maturity of the Notes shall not constitute Disqualified Stock if the "asset sale" or "change of control" provisions applicable to such Capital Stock are no more favorable to the holders of such Capital Stock than the provisions contained in the "— Limitation on Asset Sales" and "— Repurchase of Notes upon a Change of Control Triggering Event" covenants and such Capital Stock specifically provides that such Person will not repurchase or redeem any such stock pursuant to such provision prior to the Company's repurchase of such Notes as are required to be repurchased pursuant to the "— Limitation on Asset Sales" and "— Repurchase of Notes upon a Change of Control Triggering Event" covenants.

"Dollar Equivalent" means, with respect to any monetary amount in a currency other than U.S. dollars, at any time for the determination thereof, the amount of U.S. dollars obtained by converting such foreign currency involved in such computation into U.S. dollars at the base rate for the purchase of U.S. dollars with the applicable foreign currency as quoted by the Federal Reserve Bank of New York on the date of determination.

"Entrusted Loans" means borrowings by a PRC Restricted Subsidiary from a bank that are secured by a pledge of deposits made by another PRC Restricted Subsidiary to the lending bank as security for such borrowings, provided that, such borrowings are not reflected on the consolidated balance sheet of the Company.

"Equity Offering" means (i) any underwritten primary public offering or private placement of Common Stock of the Company after the Original Issue Date or (ii) any underwritten secondary public offering or secondary private placement of Common Stock of the Company beneficially owned by a Permitted Holder, after the Original Issue Date, to the extent that a Permitted Holder or a company controlled by a Permitted Holder concurrently with such public offering or private placement purchases in cash an equal amount of Common Stock from the Company at the same price as the public offering or private placing price; *provided* that any offering or placing referred to in (A) clause (i), (B) clause (ii), or (C) a combination of clauses (i) and (ii) result in the aggregate gross cash proceeds received by the Company being no less than US$20.0 million (or the Dollar Equivalent thereof).

"Euroclear" means Euroclear Bank SA/NV.

"Exchange Act" means the U.S. Securities Exchange Act of 1934, as amended.

"Exempted Subsidiary" means any Restricted Subsidiary organized in any jurisdiction other than the PRC that is prohibited by applicable law or regulation to provide a Subsidiary Guarantee, a JV Subsidiary Guarantee or create any Lien over its Capital Stock to secure any of the secured obligations subject to the Intercreditor Agreement; *provided* that (x) the Company shall have failed, upon using commercially reasonable efforts, to obtain any required governmental or regulatory approval or registration with respect to such Subsidiary Guarantee, JV Subsidiary Guarantee or Lien over its Capital Stock, to the extent that such approval or registration is available under any applicable law or regulation and (y) such Restricted Subsidiary shall cease to be an Exempted Subsidiary immediately upon such prohibition ceasing to be in force or apply to such Restricted Subsidiary or upon the Company having obtained such applicable approval or registration.

"Existing Pari Passu Secured Indebtedness" means the August 2022 Notes, the July 2021 Notes, the April 2023 Notes, the October 2023 Notes, the June 2022 Notes, the February 2024 Notes, the January 2025 Notes, the July 2023 Notes, the July 2025 Notes, the August 2024 Notes, the January 2026 Notes, the 2019 CCB Facilities and other indebtedness (other than the Notes) which holders (or their representatives or agents) have become a Secured Party under the Intercreditor Agreement as of the Original Issue Date.

"Existing Unrestricted Subsidiaries" means Beijing Fanhai Dongfeng Property Limited (北京泛海東風置業有限公司), Dalian Dalian Property Development Limited (大連達連房地產開發有限公司), Fuzhou Hengrui Property Development Limited (福州衡瑞房地產開發有限公司), Qingdao Sunac Jiansheng Investment Limited (青島融創建晟投資有限公司), Tianjin Sunac Qi'ao Property Limited (天津融創其澳置業有限公司), Wuhan Ronghao Property Development Limited (武漢融灝房地產開發有限公司), Sunac Services Investment Limited, Sunac Shine (PTC) Limited, Sunac Services Share Award Scheme Trust, Sunac Services Holdings Limited, and each of their respective Subsidiaries (whether now or in the future).

"Fair Market Value" means the price that would be paid in an arm's-length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by the Board of Directors, whose determination shall be conclusive if evidenced by a Board Resolution, except in the case of a determination of Fair Market Value of total assets for the purposes of determining a JV Entitlement Amount, in which case such price shall be determined by an accounting, appraisal or investment banking firm of recognized international standing appointed by the Company.

"February 2024 Notes" means the 7.5% senior notes due 2024 issued by the Company on November 1, 2019.

"Finance Subsidiary" means any Person who is Wholly Owned by the Company and who does not engage in any business activity except (1) the incurrence of Indebtedness the entire proceeds of which are on-lent to the Company or any of its Restricted Subsidiaries, (2) the Guarantee of the Indebtedness of the Company permitted to be incurred under the Indenture, (3) any activity related to the establishment or maintenance of that Person's corporate existence, and (4) any other activity in connection with or incidental to activities referred to in clauses (1) through (3).

"Fitch" means Fitch Ratings Ltd., a subsidiary of the Fitch Group, a jointly-owned subsidiary of Fimalac, S.A. and Hearst Corporation, and its successors.

"Fixed Charge Coverage Ratio" means, on any Transaction Date, the ratio of (1) the aggregate amount of Consolidated EBITDA for the then most recent four fiscal quarters period prior to such Transaction Date for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may be internal consolidated financial statements) (the "Four Quarter Period") to (2) the aggregate Consolidated Fixed Charges during such Four Quarter Period. In making the foregoing calculation:

(a) pro forma effect shall be given to any Indebtedness, Disqualified Stock or Preferred Stock Incurred, repaid or redeemed during the period (the "Reference Period") commencing on and including the first day of the Four Quarter Period and ending on and including the Transaction Date (other than Indebtedness Incurred or repaid under a revolving credit or similar arrangement (or under any predecessor revolving credit or similar arrangement) in effect on the last day of such Four Quarter Period), in each case as if such Indebtedness, Disqualified Stock or Preferred Stock had been Incurred, repaid or redeemed on the first day of such Reference Period; *provided* that, in the event of any such repayment or redemption, Consolidated EBITDA for such period shall be calculated as if the Company or such Restricted Subsidiary had not earned any interest income actually earned during such period in respect of the funds used to repay or redeem such Indebtedness, Disqualified Stock or Preferred Stock;

(b) Consolidated Interest Expense attributable to interest on any Indebtedness (whether existing or being Incurred) computed on a pro forma basis and bearing a floating interest rate shall be computed as if the rate in effect on the Transaction Date (taking into account any Interest Rate Agreement applicable to such Indebtedness if such Interest Rate Agreement has a remaining term in excess of 12 months or, if shorter, at least equal to the remaining term of such Indebtedness) had been the applicable rate for the entire period;

(c) pro forma effect shall be given to the creation, designation or redesignation of Restricted and Unrestricted Subsidiaries as if such creation, designation or redesignation had occurred on the first day of such Reference Period;

(d) pro forma effect shall be given to Asset Dispositions and Asset Acquisitions (including giving pro forma effect to the application of proceeds of any Asset Disposition) that occur during such Reference Period as if they had occurred and such proceeds had been applied on the first day of such Reference Period; and

(e) pro forma effect shall be given to asset dispositions and asset acquisitions (including giving pro forma effect to the application of proceeds of any asset disposition) that have been made by any Person that has become a Restricted Subsidiary or has been merged with or into the Company or any Restricted Subsidiary during such Reference Period and that would have constituted Asset Dispositions or Asset Acquisitions had such transactions occurred when such Person was a Restricted Subsidiary as if such asset dispositions or asset acquisitions were Asset Dispositions or Asset Acquisitions that occurred on the first day of such Reference Period;

*provided* that to the extent that clause (d) or (e) of this sentence requires that pro forma effect be given to an Asset Acquisition or Asset Disposition (or asset acquisition or asset disposition), such pro forma calculation shall be based upon the four fiscal quarters periods immediately preceding the Transaction Date of the Person, or division or line of business of the Person, that is acquired or disposed for which financial information is available.

"GAAP" means generally accepted accounting principles in Hong Kong as in effect from time to time. All ratios and computations contained or referred to in the Indenture shall be computed in conformity with GAAP applied on a consistent basis.

"Greentown Companies" means Greentown Parent and its Subsidiaries.

"Greentown Entities" means (i) any Person directly or indirectly controlled by Greentown Parent and (ii) any Person that is directly or indirectly jointly controlled by (x) any Person falling within clause (i) and (y) the Company or any Restricted Subsidiary of the Company.

"Greentown Parent" means Greentown China Holdings Limited, a company incorporated under the laws of the Cayman Islands.

"Guarantee" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part), *provided* that the term "Guarantee" shall not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"Hedging Obligation" of any Person means the obligations of such Person pursuant to any Commodity Hedging Agreement, Currency Agreement or Interest Rate Agreement.

"HKSE Compliant Transaction" means any transaction between or among any of the Company and the Restricted Subsidiaries, on the one hand, and a Qualifying Related Entity, on the other hand; provided that, at the time of the transaction, (i) the Common Stock of the Company remains listed on The Stock Exchange of Hong Kong Limited and (ii) if such transaction is required to be specifically approved by the shareholders and/or the Board of Directors of the Company, as the case may be, in order to comply with the "connected-party transactions rules" then in effect for companies whose Common Stock is listed on The Stock Exchange of Hong Kong Limited, it has been so approved.

"Holder" means the Person in whose name a Note is registered in the Note register.

"Incur" means, with respect to any Indebtedness or Capital Stock, to incur, create, issue, assume, Guarantee or otherwise become liable for or with respect to, or become responsible for, the payment of, contingently or otherwise, such Indebtedness or Capital Stock; provided that (1) any Indebtedness and Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (or fails to meet the qualifications necessary to remain an Unrestricted Subsidiary) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and (2) the accretion of original issue discount shall not be considered an Incurrence of Indebtedness. The terms "Incurrence," "Incurred" and "Incurring" have meanings correlative with the foregoing.

"Indebtedness" means, with respect to any Person at any date of determination (without duplication):

(1) all indebtedness of such Person for borrowed money;

(2) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(3) all obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments;

(4) all obligations of such Person to pay the deferred and unpaid purchase price of property or services, except Trade Payables;

(5) all Capitalized Lease Obligations and Attributable Indebtedness;

(6) all obligations of such Person evidenced by a Lien on any asset of such Person to secure Indebtedness of other Persons, whether or not such Indebtedness is assumed by such Person; *provided* that the amount of such obligations shall be the lesser of (a) the Fair Market Value of such asset at such date of determination and (b) the amount of such Indebtedness;

(7) all Guarantees by such Person to Guarantee Indebtedness of other Persons to the extent such Indebtedness is Guaranteed by such Person;

(8) to the extent not otherwise included in this definition, Hedging Obligations; and

(9) all Disqualified Stock issued by such Person valued at the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price plus accrued dividends.

For the avoidance of doubt, a mandatory put option granted to a Person that obligates the Company or any Restricted Subsidiary to repurchase the Capital Stock of any Restricted Subsidiary or any other Person shall be deemed to be "Indebtedness."

Notwithstanding the foregoing, Indebtedness shall not include any capital commitments, deferred payment obligation, pre-sale receipts in advance from customers or similar obligations Incurred in the ordinary course of business in connection with the acquisition, development, construction or improvement of real or personal property (including land use rights) or Entrusted Loans; *provided* that such Indebtedness is not reflected as borrowings on the consolidated balance sheet of the Company (contingent obligations and commitments referred to in a footnote to financial statements and not otherwise reflected as borrowings on the balance sheet will not be deemed to be reflected on such balance sheet).

The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above and, with respect to contingent obligations, the maximum liability upon the occurrence of the contingency giving rise to the obligation; *provided*

(1) that the amount outstanding at any time of any Indebtedness issued with original issue discount is the face amount of such Indebtedness less the remaining unamortized portion of the original issue discount of such Indebtedness at such time as determined in conformity with GAAP,

(2) that money borrowed and set aside at the time of the Incurrence of any Indebtedness in order to prefund the payment of the interest on such Indebtedness shall not be deemed to be "Indebtedness" so long as such money is held to secure the payment of such interest, and

(3) that the amount of Indebtedness with respect to any Hedging Obligation shall be: (i) zero if Incurred pursuant to paragraph (2)(f) under the "Limitation on Indebtedness and Preferred Stock" covenant, and (ii) equal to the net amount payable by such Person if such Hedging Obligation terminated at that time if not Incurred pursuant to such paragraph.

"Independent Third Party" means any Person that is not an Affiliate of the Company.

"Intercreditor Agreement" has the meaning set forth under "— Security."

"Interest Rate Agreement" means any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement, option or future contract or other similar agreement or arrangement designed to protect against fluctuations in interest rates.

"Investment" means:

(1) any direct or indirect advance, loan or other extension of credit to another Person;

(2) any capital contribution to another Person (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others);

(3) any purchase or acquisition of Capital Stock, Indebtedness, bonds, notes, debentures or other similar instruments or securities issued by another Person; or

(4) any Guarantee of any obligation of another Person to the extent such obligation is outstanding and to the extent guaranteed by such Person.

For the purposes of the provisions of the "Designation of Restricted and Unrestricted Subsidiaries" and "Limitation on Restricted Payments" covenants: (1) the Company will be deemed to have made an Investment in an Unrestricted Subsidiary in an amount equal to the Company's proportional interest in the Fair Market Value of the assets (net of the Company's proportionate interest in the liabilities owed to any Person other than the Company or a Restricted Subsidiary and that are not Guaranteed by the Company or a Restricted Subsidiary) of a Restricted Subsidiary that is designated an Unrestricted Subsidiary at the time of such designation, and (2) any property transferred to or from any Person shall be valued at its Fair Market Value at the time of such transfer, as determined in good faith by the Board of Directors.

"Investment Grade" means a rating of "AAA," "AA," "A" or "BBB," as modified by a "+" or "-" indication, or an equivalent rating representing one of the four highest rating categories, by S&P or any of its successors or assigns, or a rating of "Aaa," or "Aa," "A" or "Baa," as modified by a "1," "2" or "3" indication, or an equivalent rating representing one of the four highest rating categories, by Moody's or any of its successors or assigns, or a rating of "AAA," "AA," "A," "BBB," as modified by a "+" or "-" indication, or an equivalent rating representing one of the four highest rating categories, by Fitch or any of its successors or assigns, or the equivalent ratings of any internationally recognized rating agency or agencies, as the case may be, which shall have been designated by the Company as having been substituted for S&P, Moody's or Fitch or two or three of them, as the case may be.

"Investment Property" means any property that is owned and held by any Restricted Subsidiary for long-term rental yields or for capital appreciation or both, or any hotel owned by the Company or any Restricted Subsidiary from which the Company or any Restricted Subsidiary derives or expects to derive operating income.

"January 2025 Notes" means the 6.5% senior notes due 2025 issued by the Company on January 10, 2020.

"January 2026 Notes" means the 6.5% senior notes due 2026 issued by the Company on January 26, 2021.

"Jointly Controlled Entity" means any corporation, association or other business entity of which 20% or more of the voting power of the outstanding Capital Stock is owned, directly or indirectly by the Company or a Restricted Subsidiary and such corporation, association or other business entity is treated as a "joint venture" in accordance with GAAP, and such Jointly Controlled Entity's Subsidiaries.

"June 2022 Notes" means the 7.25% senior notes due 2022 issued by the Company on June 14, 2019.

"July 2021 Notes" means the 7.35% senior notes due 2021 issued by the Company on April 19, 2018.

"July 2023 Notes" means the 6.5% senior notes due 2023 issued by the Company on July 9, 2020.

"July 2025 Notes" means the 7.0% senior notes due 2025 issued by the Company on July 9, 2020 and December 1, 2020, respectively.

"JV Entitlement Amount" means, with respect to any JV Subsidiary Guarantor and its Subsidiaries, an amount that is equal to the product of (i) the Fair Market Value of the total assets of such JV Subsidiary Guarantor and its Subsidiaries, on a consolidated basis (without deducting any Indebtedness or other liabilities of such JV Subsidiary Guarantor and its subsidiaries) as of the date of the last fiscal year end of the Company; and (ii) a percentage equal to the direct equity ownership percentage of the Company and/or its Restricted Subsidiaries in the Capital Stock of such JV Subsidiary Guarantor and its Subsidiaries.

"JV Subsidiary Guarantee" has the meaning set forth under the caption "— The Subsidiary Guarantees."

"JV Subsidiary Guarantor" means a Restricted Subsidiary that executes a JV Subsidiary Guarantee.

"Lien" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including, without limitation, any conditional sale or other title retention agreement or lease in the nature thereof or any agreement to create any mortgage, pledge, security interest, lien, charge, easement or encumbrance of any kind).

"Listed Subsidiaries" means any Restricted Subsidiary any class of the Capital Stock of which is listed on a Qualified Exchange and any Subsidiary of a Listed Subsidiary, provided that such Restricted Subsidiary shall cease to be a Listed Subsidiary immediately upon, as the case may be, (x) the Capital Stock of such Restricted Subsidiary ceasing to be listed on a Qualified Exchange, or (y) such Restricted Subsidiary ceasing to be a Subsidiary of a Listed Subsidiary.

"Measurement Date" means October 16, 2012.

"Minority Interest Staged Acquisition Agreement" means an agreement between the Company or a Restricted Subsidiary and an Independent Third Party (x) pursuant to which the Company or such Restricted Subsidiary agrees to acquire less than a majority of the Capital Stock of a Person for a consideration that is not more than the Fair Market Value of such Capital Stock of such Person at the time the Company or such Restricted Subsidiary enters into such agreement and (y) which provides that the payment of the purchase price for such Capital Stock is made in more than one installment over a period of time.

"Minority Joint Venture" means any corporation, association or other business entity in which the Company or a Restricted Subsidiary owns or holds Capital Stock, and such Minority Joint Venture's Subsidiaries.

"Net Cash Proceeds" means:

(1) with respect to any Asset Sale, the proceeds of such Asset Sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of:

    (a) brokerage commissions and other fees and expenses (including fees and expenses of counsel and investment bankers) related to such Asset Sale;

    (b) provisions for all taxes (whether or not such taxes will actually be paid or are payable) as a result of such Asset Sale without regard to the consolidated results of operations of the Company and its Restricted Subsidiaries, taken as a whole;

    (c) payments made to repay Indebtedness or any other obligation outstanding at the time of such Asset Sale that either (x) is secured by a Lien on the property or assets sold or (y) is required to be paid as a result of such sale;

    (d) appropriate amounts to be provided by the Company or any Restricted Subsidiary as a reserve against any liabilities associated with such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as determined in conformity with GAAP; and

(2) with respect to any issuance or sale of Capital Stock, the proceeds of such issuance or sale in the form of cash or cash equivalents, including payments in respect of deferred payment

obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, discounts or commissions and brokerage, consultant and other fees incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

"Non-Guarantor Subsidiaries" means the New Non-Guarantor Subsidiaries, the PRC Non-Guarantor Subsidiaries, the Exempted Subsidiaries, the Listed Subsidiaries and the Existing Offshore Non-Guarantor Subsidiaries, in each case, unless and until such Subsidiary becomes a Subsidiary Guarantor or a JV Subsidiary Guarantor.

"October 2023 Notes" means the 7.95% senior notes due 2023 issued by the Company on April 11, 2019.

"Offer to Purchase" means an offer to purchase Notes by the Company from the Holders commenced by the Company mailing a notice by first class mail, postage prepaid, to the Trustee, the Paying Agent and each Holder at its last address appearing in the Note register stating:

(1) the covenant pursuant to which the offer is being made and that all Notes validly tendered will be accepted for payment on a pro rata basis;

(2) the purchase price and the date of purchase (which shall be a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the "Offer to Purchase Payment Date");

(3) that any Note not tendered will continue to accrue interest pursuant to its terms;

(4) that, unless the Company defaults in the payment of the purchase price, any Note accepted for payment pursuant to the Offer to Purchase shall cease to accrue interest on and after the Offer to Purchase Payment Date;

(5) that Holders electing to have a Note purchased pursuant to the Offer to Purchase will be required to surrender the Note, together with the form entitled "Option of the Holder to Elect Purchase" on the reverse side of the Note completed, to the Paying Agent at the address specified in the notice prior to the close of business on the Business Day immediately preceding the Offer to Purchase Payment Date;

(6) that Holders will be entitled to withdraw their election if the Paying Agent receives, not later than the close of business on the third Business Day immediately preceding the Offer to Purchase Payment Date, a facsimile transmission or letter setting forth the name of such Holder, the principal amount of Notes delivered for purchase and a statement that such Holder is withdrawing his election to have such Notes purchased; and

(7) that Holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered; provided that each Note purchased and each new Note issued shall be in a principal amount of US$200,000 or integral multiples of US$1,000.

On the Offer to Purchase Payment Date, the Company shall (a) accept for payment on a pro rata basis Notes or portions thereof tendered pursuant to an Offer to Purchase; (b) deposit with the Paying Agent money sufficient to pay the purchase price of all Notes or portions thereof so accepted; and (c) deliver, or cause to be delivered, to the Trustee all Notes or portions thereof so accepted together with an Officers' Certificate specifying the Notes or portions thereof accepted for payment by the Company. The Paying Agent shall promptly mail to the Holders of Notes so accepted payment in an amount equal to the purchase

price, and the Trustee or an authenticating agent shall promptly authenticate and mail to such Holders a new Note equal in principal amount to any unpurchased portion of the Note surrendered; *provided* that each Note purchased and each new Note issued shall be in a principal amount of US$200,000 or integral multiples of US$1,000. The Company will publicly announce the results of an Offer to Purchase as soon as practicable after the Offer to Purchase Payment Date. The Company will comply with Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable, in the event that the Company is required to repurchase Notes pursuant to an Offer to Purchase.

The offer is required to contain or incorporate by reference information concerning the business of the Company and its Subsidiaries which the Company in good faith believes will assist such Holders to make an informed decision with respect to the Offer to Purchase, including a brief description of the events requiring the Company to make the Offer to Purchase, and any other information required by applicable law to be included therein. The offer is required to contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Offer to Purchase.

"Officer" means one of the executive officers of the Company or, in the case of a Subsidiary Guarantor or JV Subsidiary Guarantor, one of the directors or officers of such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, designated as such to the Trustee by the Company, the Subsidiary Guarantors and/or the JV Subsidiary Guarantors, as the case may be.

"Officers' Certificate" means a certificate signed by two Officers; *provided* that, with respect to the Officers' Certificate required to be delivered by any Subsidiary Guarantor or JV Subsidiary Guarantor under the Indenture, Officers' Certificate means a certificate signed by one Officer if there is only one Officer in such Subsidiary Guarantor or JV Subsidiary Guarantor at the time such certificate is required to be delivered.

"Opinion of Counsel" means a written opinion from legal counsel who is reasonably acceptable to the Trustee.

"Original Issue Date" means January 26, 2021, the date on which the Existing 2024 Notes were issued under the Indenture.

"Pari Passu Guarantee" means a Guarantee by the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor of Indebtedness of the Company (including Additional Notes), any Subsidiary Guarantor or any JV Subsidiary Guarantor; *provided* that (1) the Company, such Subsidiary Guarantor or such JV Subsidiary Guarantor was permitted to Incur such Indebtedness under the covenant under the caption "— Limitation on Indebtedness and Preferred Stock" and (2) such Guarantee ranks *pari passu* with the Notes, with any outstanding Subsidiary Guarantee of such Subsidiary Guarantor or with any outstanding JV Subsidiary Guarantee of such JV Subsidiary Guarantor, as the case may be.

"Payment Default" means (1) any default in the payment of interest on any Note when the same becomes due and payable, (2) any default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise, (3) the failure by the Company to make or consummate a Change of Control Offer in the manner described under the caption "— Repurchase of Notes upon a Change of Control Triggering Event," or an Offer to Purchase in the manner described under the caption "— Limitation on Asset Sales" or (4) any Event of Default specified in clause (5) of the definition of Event of Default.

"Permitted Holders" means any or all of the following:

(1) Mr. SUN Hongbin, the spouse and children of Mr. SUN Hongbin, and any family trust set up by any Person listed in this clause (1);

(2) any Affiliate (other than an Affiliate as defined in clause (2) or (3) of the definition of Affiliate) of the Person specified in clause (1); and

(3) any Person both the Capital Stock and the Voting Stock of which (or in the case of a trust, the beneficial interests in which) are owned 80% or more by one or more Persons specified in clauses (1) and (2).

"Permitted Investment" means:

(1) any Investment in the Company or a Restricted Subsidiary or a Person which will, upon the making of such Investment, become a Restricted Subsidiary or be merged or consolidated with or into or transfer or convey all or substantially all its assets to, the Company or a Restricted Subsidiary;

(2) Temporary Cash Investments;

(3) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses in accordance with GAAP;

(4) stock, obligations or securities received in satisfaction of judgments;

(5) an Investment in an Unrestricted Subsidiary consisting solely of an Investment in another Unrestricted Subsidiary;

(6) any Investment pursuant to a Hedging Obligation designed solely to protect the Company or any Restricted Subsidiary against fluctuations in commodity prices, interest rates or foreign currency exchange rates;

(7) receivables owing to the Company or any Restricted Subsidiary, if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms;

(8) Investments made by the Company or any Restricted Subsidiary consisting of consideration received in connection with an Asset Sale made in compliance with the covenant under the caption "— Limitation on Asset Sales."

(9) pledges or deposits (x) with respect to leases or utilities provided to third parties in the ordinary course of business or (y) otherwise described in the definition of "Permitted Liens" or made in connection with Liens permitted under the covenant described under "— Limitation on Liens";

(10) any Investment pursuant to Pre-Registration Mortgage Guarantees or Contractor Guarantees by the Company or any Restricted Subsidiary otherwise permitted to be Incurred under the Indenture;

(11) Investments in securities of trade creditors, trade debtors or customers received pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of such trade creditor, trade debtor or customer;

(12) advances to contractors and suppliers for the acquisition of assets or consumables or services in the ordinary course of business that are recorded as deposits or prepaid expenses on the Company's consolidated balance sheet;

(13) deposits of pre-sale proceeds made in order to secure the completion and delivery of pre-sold properties and issuance of the related land use title in the ordinary course of business;

(14) deposits made in order to comply with statutory or regulatory obligations to maintain deposits for workers compensation claims and other purposes specified by statute or regulation from time to time in the ordinary course of business;

(15) deposits made in order to secure the performance of the Company or any of its Restricted Subsidiaries and prepayments made in connection with the direct or indirect acquisition of real property or land use rights or personal property (including without limitation, Capital Stock) by the Company or any of its Restricted Subsidiaries (including, without limitation, by way of acquisition of Capital Stock of a Person), in each case in the ordinary course of business;

(16) advances to government affiliated entities, collective economic organizations, existing land or building owners, holders, occupants or lessees, or related agents in respect of primary land development or urban redevelopment plans in the ordinary course of business that are recorded as assets in the Company's balance sheet;

(17) Guarantees permitted under clause 2(s) of the covenant described under "— Limitation on Indebtedness and Preferred Stock";

(18) any Investment (including without limitation any deemed Investment upon the sale of Capital Stock of a Restricted Subsidiary or the designation of a Restricted Subsidiary as an Unrestricted Subsidiary) by the Company or any Restricted Subsidiary in any Person (other than a Restricted Subsidiary), *provided* that:

(a) if such Person is a corporation, association or other business entity of which less than 20% of the Capital Stock is (or upon the making of such Investments, will be) owned, directly or indirectly, by the Company or any Restricted Subsidiary (such corporation, association or other business entity, an "Associate"), the aggregate of all Investments made in all Associates after the Original Issue Date under this clause (18), less the aggregate amount of all Receipts received after the Original Issue Date in connection with any Investment in any such Associate made after the Original Issue Date under this clause (18), shall not exceed 40% of Total Assets;

(b) no Default has occurred and is continuing or would occur as a result of such Investment;

(c) with respect to a Person in which the Company or any Restricted Subsidiary has made an Investment pursuant to this clause (18), (x) if and upon the date such Person becomes an Associate, such Investment less the amount of any Receipt must satisfy paragraph (a) of this clause (18) or the other requirements of the covenant described under "— Limitation on Restricted Payments" (which may include meeting the requirements of one of the other clauses set forth under this "Permitted Investment" definition) or (y) if such Person has become a Restricted Subsidiary in compliance with the terms of the Indenture, all Investments made by the Company or any Restricted Subsidiary in such Person since the Original Issue Date shall be deemed to have been made pursuant to clause (1) of this "Permitted Investment" definition; and

(d) if any Person described in clauses (x) or (y) of the first paragraph of the covenant described under "— Limitation on Transactions with Shareholders and Affiliates" (other than by reason of such holder being an officer or director of the Company or a Restricted Subsidiary or being the Company or a Subsidiary, Jointly Controlled Entity or Minority Joint Venture of the Company) owns, individually or in the aggregate, 15.0% or more of the outstanding Capital Stock of such Person in which the Company or any Restricted Subsidiary is making an Investment, such Investment shall comply with the covenant

described under "— Limitation on Transactions with Shareholders and Affiliates"; *provided* that this paragraph (d) shall not apply to any purchase of Capital Stock of Greentown Parent by the Company, directly or indirectly.

For the avoidance of doubt, the value of each Investment made pursuant to clause (18) of this definition shall be valued at the time such Investment is made;

(19) at any time that Greentown Parent is either a Minority Joint Venture or a Restricted Subsidiary of the Company, any Investment by the Company or any Restricted Subsidiary in any Qualifying Related Entity (other than Greentown Parent) that is an HKSE Compliant Transaction; *provided* that no Default has occurred and is continuing or would occur as a result of such Investment; and *provided further* that (A) if such investee ceases to be a Qualifying Related Entity, any such outstanding Investment at the time such investee ceases to be a Qualifying Related Entity, and (B) if Greentown Parent ceases to be a Minority Joint Venture or a Restricted Subsidiary of the Company, any such outstanding Investment at the time Greentown Parent ceases to be a Minority Joint Venture or a Restricted Subsidiary of the Company, will be deemed not to have been made in accordance with this clause (19) and such Investment must at the time such investee ceases to be a Qualifying Related Entity or Greentown Parent ceases to be a Minority Joint Venture or a Restricted Subsidiary of the Company, as the case may be, satisfy the other requirements of the covenant described under "— Limitation on Restricted Payments" (including meeting the requirements of any other clauses of this "Permitted Investment" definition);

(20) any Investment by any trust, fund, partnership, asset management plan or similar business entity (i) of which the Company or any Restricted Subsidiary acts as a general partner or otherwise holds Capital Stock and (ii) which is not consolidated by the Company in accordance with GAAP; and

(21) any Investment in a subordinated tranche of interests in a Receivable Financing Incurred pursuant to clause (ii) of the definition thereof with multiple tranches offered and sold to investors that, in the good faith determination of the Board of Directors, is necessary or advisable to effect such Receivable Financing.

"Permitted Liens" means any or all of the following:

(1) Liens for taxes, assessments, governmental charges or claims that are being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;

(2) statutory and common law Liens of landlords and carriers, warehousemen, mechanics, suppliers, repairmen or other similar Liens arising in the ordinary course of business and with respect to amounts not yet delinquent or being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;

(3) Liens incurred or deposits made to secure the performance of tenders, bids, leases, statutory or regulatory obligations, bankers' acceptances, surety and appeal bonds, government contracts, performance and return-of-money bonds and other obligations of a similar nature incurred in the ordinary course of business (exclusive of obligations for the payment of borrowed money);

(4) leases or subleases granted to others that do not materially interfere with the ordinary course of business of the Company and its Restricted Subsidiaries, taken as a whole;

(5) Liens encumbering property or assets under construction arising from progress or partial payments by a customer of the Company or its Restricted Subsidiaries relating to such property or assets;

(6) Liens on property of, or on shares of Capital Stock or Indebtedness of, any Person existing at the time such Person becomes, or becomes a part of, any Restricted Subsidiary; provided that such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets acquired; provided further that such Liens were not created in contemplation of or in connection with the transactions or series of transactions pursuant to which such Person became a Restricted Subsidiary;

(7) Liens in favor of the Company or any Restricted Subsidiary;

(8) Liens arising from the rendering of a final judgment or order against the Company or any Restricted Subsidiary that does not give rise to an Event of Default;

(9) Liens securing reimbursement obligations with respect to letters of credit that encumber documents and other property relating to such letters of credit and the products and proceeds thereof;

(10) Liens encumbering customary initial deposits and margin deposits, and other Liens that are within the general parameters customary in the industry and incurred in the ordinary course of business, in each case, securing Indebtedness under Hedging Obligations permitted by clause (f) of the second paragraph of the covenant under the caption "— Limitation on Indebtedness and Preferred Stock";

(11) Liens existing on the Original Issue Date;

(12) Liens securing Indebtedness which is Incurred to refinance secured Indebtedness which is permitted to be Incurred under clause (e) of the second paragraph of the covenant described under the caption entitled "— Limitation on Indebtedness and Preferred Stock"; provided that such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets securing the Indebtedness being refinanced;

(13) Liens under the Security Documents;

(14) Liens securing any Permitted Pari Passu Secured Indebtedness that complies with each of the requirements set forth under "— Security — Permitted Pari Passu Secured Indebtedness";

(15) any interest or title of a lessor in the property subject to any operating lease or Capitalized Lease;

(16) Liens securing Indebtedness of the Company or any Restricted Subsidiary under any Pre-Registration Mortgage Guarantee which is permitted to be Incurred under clause (g) of the second paragraph of the covenant under the caption "— Limitation on Indebtedness and Preferred Stock";

(17) easements, rights-of-way, municipal and zoning ordinances or other restrictions as to the use of properties in favor of governmental agencies or utility companies that do not materially adversely affect the value of such properties or materially impair the use for the purposes of which such properties are held by the Company or any Restricted Subsidiary;

(18) Liens (including extensions and renewals thereof) upon real or personal property; provided that, (a) such Lien is created solely for the purpose of securing Indebtedness of the type described under clause (2)(h) of the covenant under the caption entitled "— Certain Covenants — Limitation on Indebtedness and Preferred Stock" and such Lien is created prior to, at the time of or within 180 days after the later of the acquisition or the completion of development, construction or improvement of such property, (b) the principal amount of the Indebtedness secured by such Lien does not exceed 100% of the cost of such property development,

construction or improvement and (c) such Lien shall not extend to or cover any property or assets other than such item of property and any improvements on such item; provided that, in the case of clauses (b) and (c), such Lien may cover other property or assets (instead of or in addition to such item of property or improvements) and the principal amount of Indebtedness secured by such Lien may exceed 100% of such cost if (x) such Lien is incurred in the ordinary course of business and (y) the aggregate book value of property or assets (as reflected in the most recent available consolidated financial statements of the Company (which may be internal consolidated statements) or, if any such property or assets have been acquired since the date of such financial statements, the cost of such property or assets) subject to Liens incurred pursuant to this clause (18) does not exceed 130% of the aggregate principal amount of Indebtedness secured by such Liens;

(19) Liens on deposits of pre-sale proceeds made in order to secure the completion and delivery of pre-sold properties and issuance of the related land use title made in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;

(20) Liens on deposits made in order to comply with statutory obligations to maintain deposits for workers compensation claims and other purposes specified by statute made in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;

(21) Liens on deposits made in order to secure the performance of the Company or any of its Restricted Subsidiaries in connection with the acquisition of real property or land use rights or personal property (including, without limitation, Capital Stock) by the Company or any of its Restricted Subsidiaries (including, without limitation, by way of acquisition of Capital Stock of a Person) in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;

(22) Liens securing Indebtedness which is permitted to be Incurred under clause (2)(n) or 2(z) of the covenant described under "— Limitation on Indebtedness and Preferred Stock";

(23) Liens incurred or deposits made to secure Entrusted Loans;

(24) Liens on the Capital Stock of the Person that is to be acquired under the relevant Staged Acquisition Agreement or Minority Interest Staged Acquisition Agreement securing Indebtedness which is permitted under clause (2)(o) or (2)(x) of the covenant described under "— Limitation on Indebtedness and Preferred Stock";

(25) Liens on the Capital Stock of a Restricted Subsidiary granted by the Company or any other Restricted Subsidiary in favor of any Trust Company Investor in respect of, and to secure, Indebtedness permitted under clause (2)(p) of the covenant described under "— Limitation on Indebtedness and Preferred Stock";

(26) Liens incurred on one or more bank accounts or deposits or other assets to secure Bank Deposit Secured Indebtedness;

(27) Liens on Investment Properties or fixed assets securing Indebtedness of the Company or any Restricted Subsidiary permitted under clause (2)(r) of the covenant described under "— Limitation on Indebtedness and Preferred Stock";

(28) Liens securing Guarantees by or the Indebtedness Guaranteed by the Company or any Restricted Subsidiary permitted under clause (2)(s) of the covenant described under "— Limitation on Indebtedness and Preferred Stock";

(29) Liens securing Indebtedness of Restricted Subsidiaries (other than Subsidiary Guarantors or JV Subsidiary Guarantors) Incurred pursuant to clause (2)(v) of the covenant described under "— Limitation on Indebtedness and Preferred Stock"; and

(30) other Liens on any property or assets, *provided* that the aggregate book value of property or assets (as reflected in the most recent available consolidated financial statements of the Company (which may be internal consolidated statements) subject to Liens Incurred pursuant to this clause (30) does not exceed 2% of Total Assets;

*provided* that, with respect to the Collateral, "Permitted Liens" shall only refer to the Liens described in clauses (1), (6), (13) and (14) of this definition; *provided further* that, upon the occurrence of the release of the Collateral on the Release Date and thereafter, the aggregate outstanding principal amount of Indebtedness of the Company or any Restricted Subsidiary secured by any Lien over the Capital Stock of a Non-Guarantor Subsidiary incorporated outside of the PRC shall at no time exceed 20% of the Total Assets.

"Permitted Pari Passu Secured Indebtedness" has the meaning set forth under "— Security — Permitted Pari Passu Secured Indebtedness."

"Permitted Subsidiary Indebtedness" means Indebtedness (other than Public Indebtedness) of, and all Preferred Stock issued by, the Restricted Subsidiaries, taken as a whole (excluding any Indebtedness of the Subsidiary Guarantors); *provided* that, on the date of the Incurrence of such Indebtedness and after giving effect thereto and the application of the proceeds thereof, the aggregate principal amount outstanding of all such Indebtedness (excluding any Indebtedness of any Restricted Subsidiary permitted under clauses 2(a), (b), (d), (f), (g) and (m) of the covenant described under "— Certain Covenants — Limitation on Indebtedness and Preferred Stock") does not exceed an amount equal to 15% of the Total Assets.

"Person" means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

"PRC" means the People's Republic of China, excluding Hong Kong Special Administrative Region, Macau and Taiwan.

"PRC CJV" means any Subsidiary that is a Sino-foreign cooperative joint venture enterprise with limited liability, established in the PRC pursuant to the Law of the People's Republic of China on Sino-foreign Cooperative Joint Ventures adopted on April 13, 1988 (as most recently amended on September 3, 2016) and the Detailed Rules for the Implementation of the Law of the People's Republic of China on Sino-foreign Cooperative Joint Ventures promulgated on September 4, 1995 (as most recently amended on February 19, 2010), as such laws may be amended.

"PRC CJV Partner" means with respect to a PRC CJV, the other party to the joint venture agreement relating to such PRC CJV with the Company or any Restricted Subsidiary.

"PRC Restricted Subsidiary" means a Restricted Subsidiary organized under the laws of the PRC.

"Pre-Registration Mortgage Guarantee" means any Indebtedness of the Company or any Restricted Subsidiary consisting of a guarantee in favor of any bank or other similar financial institutions in the ordinary course of business of secured loans of purchasers of individual units of properties from the Company or any Restricted Subsidiary; provided that, any such guarantee shall be released in full on or before the perfection of a security interest in such properties under applicable law in favor of the relevant lender.

"Preferred Stock" as applied to the Capital Stock of any Person means Capital Stock of any class or classes that by its term is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

"Public Indebtedness" means any bonds, debentures, notes or similar debt securities issued in a public offering or a private placement (other than the Notes) to institutional investors.

"Qualified Exchange" means either (1) The New York Stock Exchange, the Nasdaq Stock Market, the London Stock Exchange, The Stock Exchange of Hong Kong Limited, Singapore Exchange Securities Trading Limited, the Shanghai Stock Exchange or the Shenzhen Stock Exchange or (2) a national securities exchange (as such term is defined in Section 6 of the Exchange Act) or a designated offshore securities market (as such term is defined in Rule 902(b) under the Securities Act).

"Qualified IPO" means a listing (or a deemed new listing pursuant to the rules of the relevant stock exchange or governing body) of the Voting Stock of a member of a Restructuring Group on a Qualified Exchange; provided that in the case that such listing is on a national securities exchange (as such term is defined in Section 6 of the Exchange Act) or a designated offshore securities market (as such term is defined in Rule 902(b) under the Securities Act), such listing shall result in a public float of no less than the percentage required by the applicable listing rules.

"Qualifying Related Entity" means any Greentown Entity and any Wharf Entity.

"Rating Agencies" means (1) S&P, (2) Moody's and (3) Fitch; provided that if S&P, Moody's, Fitch, two of any of the three or all three of them shall not make a rating of the Notes publicly available, one or more nationally recognized statistical rating organizations (as defined in Rule 436 under the Securities Act), as the case may be, selected by the Company, which shall be substituted for S&P, Moody's, Fitch, two of any of the three or all three of them, as the case may be.

"Rating Category" means (1) with respect to S&P, any of the following categories: "BB," "B," "CCC," "CC," "C" and "D" (or equivalent successor categories); (2) with respect to Moody's, any of the following categories: "Ba," "B," "Caa," "Ca," "C" and "D" (or equivalent successor categories); (3) with respect to Fitch, any of the following categories: "BB," "B," "CCC," "CC," "C" and "D" (or equivalent successor categories); and (4) the equivalent of any such category of S&P, Moody's or Fitch used by another Rating Agency. In determining whether the rating of the Notes has decreased by one or more gradations, gradations within Rating Categories ("+" and "-" for S&P; "1," "2" and "3" for Moody's and "+" and "-" for Fitch; or the equivalent gradations for another Rating Agency) shall be taken into account (e.g., with respect to S&P, a decline in a rating from "BB+" to "BB," as well as from "BB-" to "B+," will constitute a decrease of one gradation).

"Rating Date" means (1) in connection with a Change of Control Triggering Event, that date which is 90 days prior to the earlier of (x) a Change of Control and (y) a public notice of the occurrence of a Change of Control or of the intention by the Company or any other Person or Persons to effect a Change of Control or (2) in connection with actions contemplated under the caption "— Consolidation, Merger and Sale of Assets," that date which is 90 days prior to the earlier of (x) the occurrence of any such actions as set forth therein and (y) a public notice of the occurrence of any such actions.

"Rating Decline" means (1) in connection with a Change of Control Triggering Event, the occurrence on, or within six months after, the date, or public notice of the occurrence of, a Change of Control or the intention by the Company or any other Person or Persons to effect a Change of Control (which period shall be extended so long as the rating of the Notes is under publicly announced consideration for possible downgrade by any of the Rating Agencies) of any of the events listed below, or (2) in connection with actions contemplated under the caption "— Consolidation, Merger and Sale of Assets," the notification by any of the Rating Agencies that such proposed actions will result in any of the events listed below:

(a) in the event the Notes are rated by all three of the Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by any two of the three Rating Agencies shall be below Investment Grade;

(b) in the event the Notes are rated by any two, but not all three, of the three Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by any of such two Rating Agencies shall be below Investment Grade;

(c) in the event the Notes are rated by one, and only one, of the three Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by such Rating Agency shall be below Investment Grade; or

(d) in the event the Notes are rated by three or less than three Rating Agencies and are rated below Investment Grade by all such Rating Agencies on the Rating Date, the rating of the Notes by any Rating Agency shall be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories).

"Receipt" means, at any time, with respect to an Associate, an amount equal to the net reduction in all Investments made in such Associate under clause (18) of the definition of "Permitted Investment" since the Original Issue Date resulting from (A) receipt of payments in cash by the Company or any Restricted Subsidiary in respect of all such Investments, including interest on, or repayments of, loans or advances, dividends or other distributions (except, in each case, to the extent any such payments are included in the calculation of Consolidated Net Income), (B) the unconditional release of a Guarantee of any obligation of any Associate provided under such clause (18) after the Original Issue Date by the Company or any Restricted Subsidiary, (C) to the extent that an Investment made after the Original Issue Date under such clause (18) is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the reasonable costs of disposition, if any) and (y) the initial amount of such Investment, (D) such Associate ceasing to be an Associate but of which the Company or any Restricted Subsidiary continues to own, directly or indirectly, 20% or more of the Capital Stock (whereupon all Investments made by the Company or any Restricted Subsidiary since the Original Issue Date in such Person that has ceased to be an Associate shall be deemed to have been removed from the numerator used to make the calculation in paragraph (a) of clause (18) of the definition of "Permitted Investment"), or (E) such Associate becoming a Restricted Subsidiary (whereupon all Investments made by the Company or any Restricted Subsidiary in such Associate since the Permitted Investment Measurement Date shall be deemed to have been made pursuant to clause (1) of the definition of "Permitted Investment" definition).

"Receivable Financing" means any financing transaction or series of financing transactions that have been or may be entered into by the Company or any Restricted Subsidiary pursuant to which the Company or any Restricted Subsidiary may sell, convey or otherwise transfer to another Person, or may grant a security interest in, any of its receivables, mortgages, royalty, other revenue streams, assets or interests therein (including without limitation, all security interests in goods financed thereby (including equipment and property), the proceeds of such receivables, and other assets which are customarily sold or in respect of which security interests are customarily granted in connection with securitization or factoring transactions involving such assets) for credit or liquidity management purposes (including discounting, securitization or factoring transactions) either (i) in the ordinary course of business or (ii) by way of selling securities by such other Person that are, or are capable of being, listed on any stock exchange or in any securities market and are offered using an offering memorandum or similar offering document.

"Receivable Financing Assets" means assets that are underlying and are sold, conveyed or otherwise transferred or pledged in a Receivable Financing.

"Reference Treasury Dealer" means each of any three investment banks of recognized standing that is a primary U.S. Government securities dealer in The City of New York, selected by the Company in good faith.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by an investment banking firm of recognized international standing, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to such investment banking firm by such Reference Treasury Dealer at 5:00 p.m. on the third Business Day preceding such redemption date.

"Release Date" has the meaning set forth under "— Security — Release of Security." "Relevant Non-Guarantor Subsidiary" means a Restricted Subsidiary organized outside the PRC that is neither a Subsidiary Guarantor nor a JV Subsidiary Guarantor (other than Shanghai Sunac Greentown, the Exempted Subsidiaries and the Listed Subsidiaries, in each case for so long as such Restricted Subsidiary is neither a Subsidiary Guarantor nor a JV Subsidiary Guarantor).

"Relevant Total Assets" means the Total Assets of the Company without counting the assets of each Listed Subsidiary, in each case for so long as such Listed Subsidiary is neither a Subsidiary Guarantor nor a JV Subsidiary Guarantor.

"Replacement Assets" means, on any date, property or assets (other than current assets that are not land use rights, properties under development or completed properties held for sale) that will be used in the business of the Company or any Restricted Subsidiary.

"Restricted Subsidiary" means any Subsidiary of the Company other than an Unrestricted Subsidiary.

"Restructuring" means a Qualified IPO and the restructuring in relation thereto.

"Restructuring Group" means a group of entities for which the Company contemplates a Qualified IPO, *provided* that each of such entities shall be a Subsidiary or an Associate of the Company immediately prior to the completion of such Qualified IPO.

"S&P" means Standard & Poor's Ratings Services and its affiliates.

"Sale and Leaseback Transaction" means any direct or indirect arrangement relating to property (whether real, personal or mixed), now owned or hereafter acquired whereby the Company or any Restricted Subsidiary transfers such property to another Person and the Company or any Restricted Subsidiary leases it from such Person.

"Secured Creditors" means, collectively, the Collateral Agent and the creditors and the agents under the Debt Documents.

"Secured Indebtedness" means any Indebtedness of the Company or a Restricted Subsidiary secured by a Lien.

"Securities Act" means the U.S. Securities Act of 1933, as amended.

"Securitization Fees" means distributions or payments made directly or by means of discounts with respect to any Receivable Financing Assets or participation in interest therein issued or sold in connection with and other fees paid to a Person that is not a Restricted Subsidiary in connection with any Receivable Financing.

"Security Documents" means, collectively, the pledge agreements and any other agreements or instruments that may evidence or create any security interest in favor of the Trustee, the Collateral Agent and/or any Holders in any or all of the Collateral.

"Senior Indebtedness" of the Company or a Restricted Subsidiary, as the case may be, means all Indebtedness of the Company or the Restricted Subsidiary, as relevant, whether outstanding on the Original Issue Date or thereafter created, except for Indebtedness which, in the instrument creating or evidencing the same, is expressly stated to be subordinated in right of payment to (a) in respect of the Company, the Notes, (b) in respect of any Restricted Subsidiary that is a Subsidiary Guarantor, its Subsidiary Guarantee, or (c) in respect of any Restricted Subsidiary that is a JV Subsidiary Guarantor, its JV Subsidiary Guarantee; *provided* that Senior Indebtedness does not include (1) any obligation to the Company or any Restricted Subsidiary, (2) trade payables or (3) Indebtedness Incurred in violation of the Indenture.

"Shanghai Sunac Greentown" means (x) a Subsidiary of the Company incorporated under the laws of the British Virgin Islands, (i) 50% of the outstanding Capital Stock of which is contemplated to be held, directly or indirectly, by Greentown China Holdings Limited and (ii) which is contemplated to be the holding company, directly or indirectly, of the real estate development project located in Huangpu District, Shanghai, PRC and (y) its Subsidiaries, if any.

"Significant Restricted Subsidiary" means a Restricted Subsidiary, when consolidated with its Restricted Subsidiaries, that would be a "significant subsidiary" using the conditions specified in the definition of significant subsidiary in Article 1, Rule 1-02(w) of Regulation S-X, promulgated pursuant to the Securities Act, as such Regulation is in effect on the date of the Indenture, if any of the conditions exceeds 5%.

"Staged Acquisition Agreement" means an agreement between the Company or a Restricted Subsidiary and an Independent Third Party (x) pursuant to which the Company or such Restricted Subsidiary agrees to acquire more than 50% of the Capital Stock of a Person for a consideration that is not more than the Fair Market Value of such Capital Stock of such Person at the time the Company or such Restricted Subsidiary enters into such agreement and (y) which provides that the payment of the purchase price for such Capital Stock is made in more than one installment over a period of time.

"Stated Maturity" means, (1) with respect to any Indebtedness, the date specified in such debt security as the fixed date on which the final installment of principal of such Indebtedness is due and payable as set forth in the documentation governing such Indebtedness and (2) with respect to any scheduled installment of principal of or interest on any Indebtedness, the date specified as the fixed date on which such installment is due and payable as set forth in the documentation governing such Indebtedness.

"Subordinated Indebtedness" means any Indebtedness of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor which is contractually subordinated or junior in right of payment to the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee, as applicable, pursuant to a written agreement to such effect.

"Subordinated Shareholder Loan" means unsecured Indebtedness Incurred by the Company from but only for long as such Indebtedness is owed to, any Permitted Holder (other than the Company or any Restricted Subsidiary) as to which (a) the payment of principal of (and premium, if any) and interest and other payment obligations in respect of such Indebtedness is, by its terms or by the terms of any agreement or instrument pursuant to which such Indebtedness is issued or remains outstanding and an agreement (the "Subordination Agreement") to be entered into among the holders of such Indebtedness (or trustees or agents therefor) and the Trustee, is expressly made subordinate to the prior payment in full of the Notes to at least the following extent: (i) no payments of principal of (or premium, if any) or interest on or otherwise due in respect of such Indebtedness may be permitted for so long as any Default exists; (ii) such Indebtedness may not (x) provide for payments of principal of such Indebtedness at the Stated Maturity thereof or by way of a sinking fund applicable thereto or by way of any mandatory redemption, defeasance, retirement or repurchase thereof by the Company or any Restricted Subsidiary (including any redemption, retirement or repurchase which is contingent upon events or circumstances), in each case prior to the final Stated Maturity of the Notes or (y) permit redemption or other retirement (including pursuant to an offer to purchase made by the Company or any Restricted Subsidiary) of such other Indebtedness at the option of the holder thereof prior to the final Stated Maturity of the Notes, except to the extent such redemption or other retirement is permitted under the covenant described under "— Certain Covenants — Limitation on Restricted Payments" on the date of such redemption or other retirement, (iii) the Subordination Agreement will prohibit the holders of such Indebtedness (or trustees or agents therefor) from pursuing remedies against the Company or any of the Restricted Subsidiaries or their respective assets or properties in an insolvency proceeding or in respect of a default under such Indebtedness and (iv) the Subordination Agreement will provide in the event that any payment is received by the holders of such Indebtedness (or any trustee or agent therefor) in respect of such Indebtedness where such payment is prohibited by one or more of the subordination provisions described in this definition, such payment shall be held in trust for the benefit of, and shall be paid over or delivered to, the Trustee on behalf of the Holders of the Notes, and (b) the terms thereof provide that interest (and premium, if any) thereon is paid solely in the form of (i) pay-in-kind, or PIK, payments constituting additional Subordinated Shareholder Loans or (ii) cash (to the extent provided for when such Subordinated Shareholder Loan was originally Incurred) if such cash interest (or premium, if any) payment would be permitted to be made under the covenant described under "— Certain Covenants — Limitation on Restricted Payments" on the date of such payment.

"Subsidiary" means, with respect to any Person, any corporation, association or other business entity (i) of which more than 50% of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person or (ii) of which 50% of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person and in each case which is "controlled" and consolidated by such

Person in accordance with GAAP; provided, however, that with respect to clause (ii), the occurrence of any event (other than the issuance or sale of Capital Stock) as a result of which such corporation, association or other business entity ceases to be "controlled" by such Person under the GAAP and to constitute a Subsidiary of such Person shall be deemed to be a designation of such corporation, association or other business entity as an Unrestricted Subsidiary by such Person and be subject to the requirements under the first paragraph of "Designation of Restricted and Unrestricted Subsidiaries" covenant.

"Subsidiary Guarantee" means any Guarantee of the obligations of the Company under the Indenture and the Notes by any Subsidiary Guarantor.

"Subsidiary Guarantor" means any initial Subsidiary Guarantor named herein and any other Restricted Subsidiary which guarantees the payment of the Notes pursuant to the Indenture and the Notes; *provided* that Subsidiary Guarantor will not include (a) any Person whose Subsidiary Guarantee has been released in accordance with the Indenture and the Notes or (b) any JV Subsidiary Guarantor.

"Subsidiary Guarantor Pledgor" means any initial Subsidiary Guarantor Pledgor named herein and any other Subsidiary Guarantor which pledges Collateral to secure the obligations of the Company under the Notes and the Indenture and of such Subsidiary Guarantor under its Subsidiary Guarantee; *provided* that a Subsidiary Guarantor Pledgor will not include any person whose pledge under the Security Documents has been released in accordance with the Security Documents, the Indenture and the Notes.

"Temporary Cash Investment" means any of the following:

(1) direct obligations of the United States of America, any state of the European Economic Area, the People's Republic of China and Hong Kong or any agency of any of the foregoing or obligations fully and unconditionally Guaranteed by the United States of America, any state of the European Economic Area, the People's Republic of China and Hong Kong or any agency of any of the foregoing, in each case maturing within one year;

(2) demand or time deposit accounts, certificates of deposit and money market deposits maturing within 180 days of the date of acquisition thereof issued by a bank or trust company which is organized under the laws of the United States of America, any state thereof, any state of the European Economic Area or Hong Kong, and which bank or trust company has capital, surplus and undivided profits aggregating in excess of US$100 million (or the Dollar Equivalent thereof) and has outstanding debt which is rated "A" (or such similar equivalent rating) or higher by at least one nationally recognized statistical rating organization (as defined in Section 3(a)(62) of the Exchange Act) or any money market fund sponsored by a registered broker dealer or mutual fund distributor;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) above entered into with a bank or trust company meeting the qualifications described in clause (2) above;

(4) commercial paper, maturing not more than 180 days after the date of acquisition thereof, issued by a corporation (other than an Affiliate of the Company) organized and in existence under the laws of the United States of America, any state thereof or any foreign country recognized by the United States of America with a rating at the time as of which any investment therein is made of "A-1" (or higher) according to S&P or Fitch;

(5) securities, maturing within one year of the date of acquisition thereof, issued or fully and unconditionally Guaranteed by any state, commonwealth or territory of the United States of America, or by any political subdivision or taxing authority thereof, and rated at least "A" by S&P or Fitch;

(6) any money market fund that has at least 95% of its assets continuously invested in investments of the types described in clauses (1) through (5) above;

(7) (i) time deposit accounts, certificates of deposit, overnight or call deposits and money market deposits with a bank or financial institution which is organized under the laws of the PRC or Hong Kong; or (ii) structured deposit products with a term not exceeding six months that are principal protected with any banks or financial institutions organized under the laws of the PRC or Hong Kong.

"Total Assets" means, as of any date, the total consolidated assets of the Company and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent fiscal quarter for which consolidated financial statements of the Company (which the Company shall use its best efforts to compile on a timely manner) are available (which may be internal consolidated financial statements); *provided* that:

(1) only with respect to clause (2)(h) of "— Certain Covenants — Limitation on Indebtedness and Preferred Stock" covenant and the definition of "Permitted Subsidiary Indebtedness," Total Assets shall be calculated after giving pro forma effect to include the cumulative value of all of the real or personal property or equipment the acquisition, development, construction or improvement of which requires or required the Incurrence of Indebtedness and calculation of Total Assets thereunder, as measured by the purchase price or cost therefor or budgeted cost provided in good faith by the Company or any of its Restricted Subsidiaries to the bank or other similar financial institutional lender providing such Indebtedness;

(2) only with respect to clause (2)(w) of "— Certain Covenants — Limitation on Indebtedness and Preferred Stock" covenant, with respect to the Incurrence of any Acquired Indebtedness as a result of any Person becoming a Restricted Subsidiary, Total Assets shall be calculated after giving pro forma effect to include the consolidated assets of such Restricted Subsidiary and any other change to the consolidated assets of the Company as a result of such Person becoming a Restricted Subsidiary; and

(3) only with respect to any Person becoming a New Non-Guarantor Subsidiary, pro forma effect shall at such time be given to the consolidated assets of such New Non-Guarantor Subsidiary (including giving pro forma effect to any other change to the consolidated assets of the Company, in each case as a result of such Person becoming a New Non-Guarantor Subsidiary).

"Trade Payables" means, with respect to any Person, any accounts payable or any other indebtedness or monetary obligation to trade creditors created, assumed or Guaranteed by such Person or any of its Subsidiaries arising in the ordinary course of business in connection with the acquisition of goods or services.

"Transaction Date" means, with respect to the Incurrence of any Indebtedness, the date such Indebtedness is to be Incurred and, with respect to any Restricted Payment, the date such Restricted Payment is to be made.

"Trust Company Investor" means (i) a financial institution, including but not limited to a bank, insurance company, securities management company, trust company, fund management company and asset management company, or an insurance company, or (ii) an Affiliate thereof, that invests in any Capital Stock of the Company or a Restricted Subsidiary.

"Trustee" means DB Trustees (Hong Kong) Limited until a successor replaces it and, thereafter, means the successor.

"Unrestricted Subsidiary" means (1) subject to any redesignations under the caption "— Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries," each of the Existing Unrestricted Subsidiaries and their respective Subsidiaries; (2) any Subsidiary of the Company that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors in the manner provided in the Indenture; and (3) any Subsidiary of an Unrestricted Subsidiary.

"U.S. Government Obligations" means securities that are (1) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (2) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the payment of which is unconditionally Guaranteed as a full faith and credit obligation by the United States of America, which, in either case, are not callable or redeemable at the option of the issuer thereof at any time prior to the Stated Maturity of the Notes, and shall also include a depository receipt issued by a bank or trust company as custodian with respect to any such U.S. Government Obligation or a specific payment of interest on or principal of any such U.S. Government Obligation held by such custodian for the account of the holder of a depository receipt; *provided* that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of interest on or principal of the U.S. Government Obligation evidenced by such depository receipt.

"Voting Stock" means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

"Wharf Entity" means (i) any Person directly or indirectly controlled by The Wharf Holdings Limited and (ii) any Person that is directly or indirectly jointly controlled by (x) any Person falling within clause (i) and (y) the Company or any Restricted Subsidiary of the Company.

"Wholly Owned" means, with respect to any Subsidiary of any Person, the ownership of all of the outstanding Capital Stock of such Subsidiary (other than any director's qualifying shares or Investments by foreign nationals mandated by applicable law) by such Person or one or more Wholly Owned Subsidiaries of such Person; *provided* that Subsidiaries that are PRC CJVs shall not be considered Wholly Owned Subsidiaries unless such Person or one or more Wholly Owned Subsidiaries of such Person is entitled to 95.0% or more of the economic benefits distributable by such Subsidiary.

# TAXATION

*The following summary of certain Cayman Islands, British Virgin Islands, Hong Kong and PRC tax consequences of the purchase, ownership and disposition of Notes is based upon applicable laws, regulations, rulings and decisions as of the date of this offering memorandum, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Notes should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of Notes, including such possible consequences under the laws of their country of citizenship, residence or domicile.*

## Cayman Islands Taxation

The following is a discussion on certain Cayman Islands income tax consequences of an investment in the Notes. The discussion is a general summary of present law, which is subject to change. It is not intended as tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under Cayman Islands law.

Under the laws of the Cayman Islands, payments of interest, premium (if any) and principal on the Notes will not be subject to taxation and no withholding will be required on the payment of interest and principal or premium to any holder of the Notes, as the case may be, nor will gains derived from the disposal of the Notes be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax. The Cayman Islands are a party to a double taxation treaty entered into with the United Kingdom in 2010 but otherwise are not party to any double taxation treaties.

No stamp duty is payable in respect of the issue of the Notes. An instrument of transfer in respect of a Note is stampable if executed in or brought into the Cayman Islands.

We are incorporated under the laws of the Cayman Islands as an exempted company with limited liability and, as such, have obtained an undertaking from the Governor in Cabinet of the Cayman Islands as to tax concessions under the Tax Concessions Act (1999 Revision). In accordance with the provision of section 6 of the Tax Concessions Act (1999 Revision), the Governor in Cabinet undertakes with our Company that (i) no law which is hereafter enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to us or our operations; and (ii) no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company, on or in respect of the shares, debentures or other obligations of our Company, or by way of the withholding, in whole or part, of any relevant payment as defined in Section 6(3) of the Tax Concessions Act (1999 Revision). These concessions shall be for a period of 20 years from March 11, 2008.

## British Virgin Islands Taxation

There is no income or other tax of the British Virgin Islands imposed by withholding or otherwise on any payment to be made to or by the Subsidiary Guarantors or the JV Subsidiary Guarantors (if any) pursuant to the Subsidiary Guarantees or JV Subsidiary Guarantees (if any).

## Hong Kong Taxation

### *Withholding Tax*

No withholding tax in Hong Kong is payable on payments of principal (including any premium payable on redemption of the Notes) or distributions in respect of the Notes.

***Profits Tax***

Hong Kong profits tax is charged on every person carrying on a trade, profession or business in Hong Kong in respect of assessable profits arising in or derived from Hong Kong from such trade, profession or business.

Under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the "Inland Revenue Ordinance") as it is currently applied, Hong Kong profits tax may be charged on revenue profits arising on the sale, disposal or redemption of the Notes where such sale, disposition or redemption is or forms part of a trade, profession or business carried on in Hong Kong.

Interest payments on the Notes will be subject to Hong Kong profits tax where such payments have a Hong Kong source, and are received by or accrue to:

- a financial institution (as defined in the Inland Revenue Ordinance) and the income arises through or from the carrying on by the financial institution of its business in Hong Kong; or
- a corporation carrying on a trade, profession or business in Hong Kong; or
- a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and such distribution is in respect of the funds of the trade, profession or business.

Although no tax is imposed in Hong Kong in respect of capital gains, Hong Kong profits tax may be chargeable on trading gains arising on the sale or disposition of the Notes where such transactions are or form part of a trade, profession or business carried on in Hong Kong.

***Stamp Duty***

No Hong Kong stamp duty will be chargeable upon the issue or transfer of a Note (for so long as the register of holders of the Notes is maintained outside Hong Kong).

**PRC Taxation**

The following summary of certain PRC tax consequences of the purchase, ownership and disposition of Notes to non-resident holders is based upon applicable laws, rules and regulations in effect as of the date of this offering memorandum, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Notes should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of Notes, including such possible consequences under the laws of their country of citizenship, residence or domicile.

***Taxation on Interest and Capital Gains***

Under the PRC Corporate Income Tax Law and the related regulations, if we are treated as a PRC "resident enterprise," PRC income tax at a rate of 10% (or a lower treaty rate, if any) would be required to be withheld from interest payments to holders that are "non-resident enterprises" and that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant interest income is not effectively connected with such establishment or place of business, if such interest is treated as income from sources within the PRC. The PRC Corporate Income Tax Law also imposes a withholding tax at the rate of 20% (or a lower treaty rate, if any) on interest from PRC source paid to non-resident individual holders. In addition, any gain realized on the transfer of the Notes by such holders would be subject to PRC income tax at the rate of 10% for non-resident enterprise holders or 20% for non-resident individual holders (or a lower treaty rate, if any) if such gain is regarded as income

derived from sources within the PRC. We currently take the position that we are not a PRC resident enterprise. However, we have been advised by our PRC legal advisor, DeHeng Law Offices, that there is uncertainty as to whether we will be treated as a PRC "resident enterprise" for the purpose of the PRC Corporate Income Tax Law. If we are treated as a PRC "resident enterprise," the interest we pay in respect of the Notes, and the gain any non-resident holder may realize from the transfer of the Notes, may be treated as income derived from sources within the PRC and be subject to the PRC tax described above, which may materially and adversely affect the value of investment in the Notes. See "Risk Factors — Risks Relating to Our Group Structure — We may be deemed a PRC resident enterprise under the PRC Corporate Income Tax Law, which may subject us to PRC taxation on our worldwide income, require us to withhold taxes on interest we pay on the Notes and require holders of the Notes to pay taxes on gains realized from the sale of the Notes."

***Stamp Duty***

No PRC stamp tax will be chargeable upon the issue or transfer of a Note (for so long as the register of holders of the Notes is maintained outside the PRC, as is expected to be the case).

# PLAN OF DISTRIBUTION

The Hongkong and Shanghai Banking Corporation Limited, Morgan Stanley & Co. International plc, Barclays Bank PLC, China CITIC Bank International Limited, China Securities (International) Corporate Finance Company Limited, Citigroup Global Markets Limited, Credit Suisse (Hong Kong) Limited and Guotai Junan Securities (Hong Kong) Limited are acting as joint lead managers (the "Joint Lead Managers") of the offering, and as the Initial Purchasers named below. Subject to the terms and conditions stated in the purchase agreement dated February 25, 2021, each Initial Purchaser named below has severally agreed to purchase, and we have agreed to sell to such Initial Purchaser, the principal amount of the New Notes set forth opposite the Initial Purchaser's name.

| Initial Purchasers | Principal Amount of the New 2025 Notes | Principal Amount of the New 2024 Notes |
|---|---|---|
| The Hongkong and Shanghai Banking Corporation Limited | US$ 26,250,000 | US$ 42,750,000 |
| Morgan Stanley & Co. International plc | US$ 26,250,000 | US$ 42,750,000 |
| Barclays Bank PLC | US$ 26,250,000 | US$ 42,750,000 |
| China CITIC Bank International Limited | US$ 26,250,000 | US$ 42,750,000 |
| China Securities (International) Corporate Finance Company Limited | US$ 26,250,000 | US$ 42,750,000 |
| Citigroup Global Markets Limited | US$ 26,250,000 | US$ 42,750,000 |
| Credit Suisse (Hong Kong) Limited | US$ 26,250,000 | US$ 42,750,000 |
| Guotai Junan Securities (Hong Kong) Limited | US$ 26,250,000 | US$ 42,750,000 |
| Total | US$210,000,000 | US$342,000,000 |

The purchase agreement provides that the obligations of the Initial Purchasers to purchase the New Notes are subject to approval of legal matters by counsel and to other conditions. The Initial Purchasers must purchase all the New Notes if they purchase any of the New Notes. The Initial Purchasers may offer and sell the New Notes through certain of their affiliates and may provide such affiliates an opportunity to purchase some of the New Notes in the initial offering.

The Initial Purchasers propose to resell the New Notes at the offering price set forth on the cover page of this offering memorandum outside the United States in reliance on Regulation S under the Securities Act. See "Transfer Restrictions." The price at which the New Notes are offered may be changed at any time without notice. In addition, we have agreed with the Initial Purchasers that we will pay a commission to private banks in connection with the purchase of the New Notes by their private bank clients.

The Existing 2025 Notes and the Existing 2024 Notes are listed and quoted on the SGX-ST. Application will be made to the SGX-ST for the listing and quotation of the New Notes on the SGX-ST. However, we cannot assure you that the prices at which the New Notes will sell in the market after this offering will not be lower than the initial offering price or that an active trading market for the New Notes will develop and continue after this offering. The Initial Purchasers have advised us that they currently intend to make a market in the New Notes. However, they are not obligated to do so and they may discontinue any market-making activities with respect to the New Notes at any time without notice. Accordingly, we cannot assure you as to the liquidity of, or the trading market for, the New Notes.

Morgan Stanley & Co. International plc (as the Stabilizing Coordinator) may, either directly or together with any stabilizing managers appointed by it, engage in over-allotment, stabilizing transactions, syndicate covering transactions and penalty bids to the extent permitted by applicable laws and regulations. Over-allotment involves sales in excess of the offering size, which creates a short position. Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Covering transactions involve purchase of the New Notes in the open market after the distribution has been completed in order to cover short positions. Penalty bids permit the Initial Purchasers (as the Stabilizing Coordinator or stabilizing managers) to reclaim a selling concession from a dealer when the New Notes originally sold by such dealer are purchased in a stabilizing transaction or a covering transaction to cover short positions. Neither we nor the Initial Purchasers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the New Notes. In addition, neither we nor the Initial Purchasers make any representation that the Initial Purchasers (as the Stabilizing Coordinator or stabilizing managers) will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

We expect to deliver the New Notes against payment for the New Notes on or about the date specified in the last paragraph of the cover page of this offering memorandum, which will be the third business day following the date of the pricing of the New Notes. Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally settle in two business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the New Notes on the date of pricing will be required, by virtue of the fact that the New Notes initially will settle in T+3, to specify alternative settlement arrangements to prevent a failed settlement. Purchasers of the New Notes who wish to trade the New Notes on the date of pricing should consult their own adviser.

The Initial Purchasers and their respective affiliates have in the past engaged, and may in the future engage, in transactions with and perform services, including financial advisory, commercial banking and investment banking services, for us and our affiliates in the ordinary course of business. We may enter into hedging or other derivative transactions as part of our risk management strategy with the Initial Purchasers and their respective affiliates, which may include transactions relating to our obligations under the New Notes. Our obligations under these transactions may be secured by cash or other collateral. In addition, the Initial Purchasers or any of their respective affiliates may acquire for their own account a portion of the New Notes.

We and the Subsidiary Guarantors have agreed to indemnify the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the Initial Purchasers may be required to make because of any of those liabilities.

**Selling Restrictions**

***General***

No action has been taken or will be taken in any jurisdiction by us or the Initial Purchasers that would permit a public offering of the New Notes, or the possession, circulation or distribution of this offering memorandum or any other material relating to the New Notes or this offering, in any jurisdiction where action for that purpose is required. Accordingly, the New Notes may not be offered or sold, directly or indirectly, and neither this offering memorandum nor such other material may be distributed or published, in or from any country or jurisdiction except in compliance with any applicable rules and regulations of such country or jurisdiction.

***United States***

The New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) have not been and will not be registered under the Securities Act or any state securities laws and may not be offered, sold or delivered within the United States and may only be offered, sold or delivered outside the United States in offshore transactions in compliance with Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the offering of the New Notes an offer or sale of the New Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

***Prohibition of sales to EEA retail investors***

This offering memorandum has been prepared on the basis that any offer of new notes in any Member State of the European Economic Area will be made pursuant to an exemption under Regulation (EU) 2017/1129 (the "Prospectus Regulation") from the obligation to publish a prospectus for offers of new notes. Neither the Company nor the Initial Purchasers have authorized, nor do they authorize, the making of any offer of new notes in circumstances in which an obligation arises for the Company or the Initial Purchasers to publish a prospectus for such offer. Neither the Company nor the Initial Purchasers have authorized, nor do they authorize, the making of any offer of new notes through any financial intermediary, other than offers made by the Initial Purchasers, which constitute the final placement of the new notes contemplated in this offering memorandum.

The Initial Purchasers have not offered, sold or otherwise made available and will not offer, sell or otherwise make available any new notes to any retail investor in the European Economic Area. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); or

(ii) a customer within the meaning of Directive (EU) 2016/97 (the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

***United Kingdom***

This offering memorandum has been prepared on the basis that any offer of securities in the United Kingdom will be made pursuant to an exemption under the FSMA from the requirement to publish a prospectus for offers of securities. The expression FSMA means the Financial Services and Markets Act 2000 (as amended). Neither the Company nor the Initial Purchasers have authorized, nor do they authorize, the making of any offer of new notes in circumstances in which an obligation arises for the Company or the Initial Purchasers to publish a prospectus for such offer. Neither the Company nor the Initial Purchasers have authorized, nor do they authorize, the making of any offer of new notes through any financial intermediary, other than offers made by the Initial Purchasers, which constitute the final placement of the new notes contemplated in this offering memorandum.

The Initial Purchasers have not offered, sold or otherwise made available and will not offer, sell or otherwise make available any new notes to any retail investor in the United Kingdom. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

(i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("EUWA"); or

(ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA.

This offering memorandum is for distribution only to persons who (i) fall within Article 43(2)(b) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "Financial Promotion Order"), (ii) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Promotion Order, (iii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc") of the Financial Promotion Order, (iv) are outside the United Kingdom, or (v) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). This offering memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this offering memorandum relates is available only to relevant persons and will be engaged in only with relevant persons.

Each of the Initial Purchasers has represented, warranted and agreed that:

- it has only communicated or caused to be communicated, and will only communicate or cause to be communicated, any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any notes in circumstances in which section 21(1) of the FSMA does not apply to the Company; and

- it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the notes in, from or otherwise involving the United Kingdom.

***Hong Kong***

This offering memorandum has not been and will not be registered with the Securities and Futures Commission of Hong Kong and the Registrar of Companies of Hong Kong. The New Notes have not been and will not be offered or sold in Hong Kong, by means of any document, other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No advertisement, invitation or document relating to the New Notes may be issued or may be in the possession of any person other than with respect to the New Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning as defined in the Securities and Futures Ordinance (Cap. 571) and any rules made thereunder.

***Japan***

The New Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948) (as amended) (the "FIEL"), and disclosure under the FIEL has not been made with respect to the New Notes. Accordingly, the New Notes may not be offered or sold, directly or indirectly in Japan or to, or for the account of, any resident of Japan, or to others for reoffering or re-sale, directly or indirectly in Japan or to, or for the benefit of, any resident of Japan, except pursuant to any exemption from the registration requirements of the FIEL and otherwise in compliance with the FIEL and other applicable provisions of Japanese laws and regulations. As used in this paragraph, "resident of Japan" means any person residing in Japan. including any corporation or other entity organized under the laws of Japan.

***Singapore***

This offering memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"). Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the New Notes may not be circulated or distributed, nor may the New Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor under Section 274 of the SFA; (ii) to a relevant person pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018 of Singapore; or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the New Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the New Notes pursuant to an offer made under Section 275 of the SFA except:

(i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law;

(iv) as specified in Section 276(7) of the SFA; or

(v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

**Notification under Section 309B(1)(c) of the SFA** — the Company has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the New Notes are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

***PRC***

This offering memorandum does not constitute a public offer of the New Notes, whether by sale of by subscription, in the PRC. The New Notes will not be offered or sold within the PRC by means of this offering memorandum or any other document.

***Cayman Islands***

No New Notes will be offered or sold to the public in the Cayman Islands.

***British Virgin Islands***

No invitation will be made directly or indirectly to any person resident in the British Virgin Islands to subscribe for any of the New Notes.

## TRANSFER RESTRICTIONS

*Because of the following restrictions, purchasers are advised to consult their legal counsel prior to making any offer, sale, resale, pledge or other transfer of the New Notes.*

The New Notes, the Guarantees and the JV Subsidiary Guarantees (if any) have not been and will not be registered under the Securities Act and may not be offered, sold or delivered within the United States (as defined in Regulation S) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the New Notes are being offered and sold only outside the United States in offshore transactions in reliance on Regulation S under the Securities Act.

By its purchase of the New Notes, including the Guarantees and the JV Subsidiary Guarantees (if any), each purchaser will be deemed to have:

1. represented that it is purchasing the New Notes in an offshore transaction in accordance with Regulation S;

2. represented that (a) it is purchasing the New Notes, including the Guarantees and the JV Subsidiary Guarantees (if any), for its own account or an account with respect to which it exercises sole investment discretion, in each case not with a view to, or for offer or sale in connection with, any distribution of the New Notes in violation of the Securities Act and (b) it and any such account is a purchaser that is outside the United States;

3. acknowledged that the New Notes, the Guarantees and the JV Subsidiary Guarantees (if any) have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act, in each case in accordance with any applicable laws of any state or territory of the Unites States and any foreign jurisdiction;

4. agreed that it will inform each person to whom it transfers the New Notes of any restrictions on transfer of such New Notes;

5. understood and agreed that the New Notes will be represented by the Global New Notes and that transfers thereto are restricted as described under "Description of the New Notes — Book-Entry; Delivery and Form;"

6. understood and agreed that if in the future it decides to resell, pledge or otherwise transfer any New Notes represented by the Global New Notes or any beneficial interest in any New Notes represented by the Global New Notes, such New Notes may be resold, pledged or transferred only in accordance with the requirements of the legends set forth in paragraph 7 below;

7. understood that the New Notes represented by the Global New Notes will bear a legend to the following effect unless otherwise agreed to by the Company and the holder thereof:

   THIS SECURITY AND THE GUARANTEE RELATED TO THIS SECURITY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY JURISDICTION AND, ACCORDINGLY, MAY NOT BE OFFERED, SOLD, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED OR DELIVERED IN THE UNITED STATES UNLESS SUCH SECURITIES AND GUARANTEES ARE REGISTERED UNDER THE SECURITIES ACT OR AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS THEREOF IS AVAILABLE; and

8. acknowledged that the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any), the Paying Agent, the Initial Purchasers, the Trustee and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements; and agreed that if any of the acknowledgements, representations or agreements deemed to have been made by its purchase of the New Notes is no longer accurate, it shall promptly notify the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any), the Paying Agent, the Trustee and the Initial Purchasers; and represented that if it is acquiring any New Notes as a fiduciary or agent for one or more investor accounts, it has sole investment discretion with respect to each such account and has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

## RATINGS

The Notes have been rated "B+" by Standard & Poor's Ratings Services, "B1" by Moody's Investors Service and "BB" by Fitch Ratings Ltd and we do not expect the ratings to change as a result of the issuance of the New Notes. The ratings reflect the rating agency's assessment of the likelihood of timely payment of the principal of and interest on the Notes. The ratings do not address the payment of any Additional Amounts and do not constitute recommendations to purchase, hold or sell the Notes inasmuch as such ratings do not comment as to market price or suitability for a particular investor. Each such rating should be evaluated independently of any other rating on the Notes, on other securities of ours, or on us. Additionally, we have been assigned a long-term corporate credit rating of "BB-" with a stable outlook by Standard & Poor's Ratings Services, a corporate family rating of "Ba3" with a stable outlook by Moody's Investors Service and a long-term foreign currency issuer default rating of "BB" with a stable outlook by Fitch Ratings Ltd. We cannot assure you that the ratings will remain in effect for any given period or that the ratings will not be revised by such rating agencies in the future if in their judgment circumstances so warrant.

## LEGAL MATTERS

Certain legal matters with respect to the New Notes will be passed upon for us by Sidley Austin as to matters of United States federal and New York law and Hong Kong law, DeHeng Law Offices as to matters of PRC law, Conyers Dill & Pearman as to matters of Cayman Islands law and Conyers Dill & Pearman as to matters of British Virgin Islands law. Certain legal matters will be passed upon for the Initial Purchasers by Shearman & Sterling as to matters of United States federal and New York law and Jincheng Tongda & Neal Law Firm as to matters of PRC law.

## INDEPENDENT AUDITOR

Our audited consolidated financial statements as of and for the years ended December 31, 2018 and 2019 reproduced in this offering memorandum have been audited by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, in accordance with Hong Kong Standards on Auditing, as stated in their reports included herein.

Our unaudited interim condensed consolidated financial information as of and for the six months ended June 30, 2020 reproduced in this offering memorandum has been reviewed by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" as stated in their report included herein.

# GENERAL INFORMATION

## Consents

We have obtained all necessary consents, approvals and authorizations in the Cayman Islands, the British Virgin Islands and Hong Kong in connection with the issue and performance of the New Notes and the Subsidiary Guarantees. The issue of the New Notes have been authorized by a resolution of our board of directors dated February 24, 2021. The giving of the Subsidiary Guarantees for the New Notes have been authorized by resolutions of the board of directors of each Subsidiary Guarantor dated February 24, 2021.

## Documents Available

For so long as any of the Notes are outstanding, copies of the Indentures may be inspected free of charge during normal business hours on any weekday (except public holidays) at the specified offices of the Paying Agent.

For so long as any of the Notes are outstanding, copies of our audited consolidated financial statements for the past two fiscal years, if any, may be obtained during normal business hours on any weekday (except public holidays) at the principal/registered office of the Company.

## Litigation

Except as disclosed in this offering memorandum, there are no legal or arbitration proceedings against or affecting us, any of our subsidiaries or any of our assets, nor are we aware of any pending or threatened proceedings, which are or might be material in the context of this issue of the New Notes or the Subsidiary Guarantees.

## No Material Adverse Change

Except as disclosed in this offering memorandum, there has been no adverse change, or any development reasonably likely to involve an adverse change, in the condition (financial or otherwise) of our general affairs since June 30, 2020 that is material in the context of the issue of the New Notes.

## Clearing Systems and Settlement

The New Notes have been accepted for clearance through the facilities of Euroclear and Clearstream.

Certain trading information with respect to the New Notes is set forth below:

| | ISIN | Common Code |
|---|---|---|
| The New 2025 Notes | XS2100444772 | 210044477 |
| The New 2024 Notes | XS2287889708 | 228788970 |

Only Notes evidenced by the Global Notes have been accepted for clearance through Euroclear and Clearstream.

## Listing of the New Notes

The Existing 2025 Notes and the Existing 2024 Notes are listed and quoted on the SGX-ST. Application will be made to the SGX-ST for the listing and quotation of the New Notes on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained herein. Approval in-principle from, admission to the Official List of, and listing and quotation of the New Notes on, the SGX-ST are not to be taken as an indication of the merits of the offering, the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any) or any of their respective associated companies (if any), the New Notes, the Subsidiary Guarantees or the JV

Subsidiary Guarantees (if any). Under the rules of the SGX-ST, the Notes, if traded on the SGX-ST, are required to be traded in a minimum board lot size of S$200,000 (or its equivalent in foreign currencies). Accordingly, for so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Notes, if traded on the SGX-ST, will be traded in a minimum board lot size of US$200,000.

For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, in the event that a Global Note is exchanged for individual definitive Notes, we will appoint and maintain a paying agent in Singapore, where the individual definitive Notes may be presented or surrendered for payment or redemption. In addition, in the event that a Global Note is exchanged for individual definitive Notes, an announcement of such exchange will be made by or on behalf of us through the SGX-ST and such announcement will include all material information with respect to the delivery of the individual definitive Notes, including details of the paying agent in Singapore.

# INDEX TO CONSOLIDATED FINANCIAL STATEMENTS


| | Page | 2020 Interim Report[1] |
|---|---|---|
| **Unaudited Interim Condensed Consolidated Financial Information as of and for the Six Months Ended June 30, 2020** | | |
| Report on review of interim financial information | F-2 | 27 |
| Interim Condensed Consolidated Balance Sheet | F-3 | 28 |
| Interim Condensed Consolidated Statement of Comprehensive Income | F-5 | 30 |
| Interim Condensed Consolidated Statement of Changes in Equity | F-6 | 31 |
| Interim Condensed Consolidated Statement of Cash Flows | F-8 | 33 |
| Notes to the Condensed Consolidated Interim Financial Information | F-10 | 35 |

| | Page | 2019 Annual Report[1] |
|---|---|---|
| **Audited Consolidated Financial Statements as of and for the Year Ended December 31, 2019** | | |
| Independent Auditor's Report | F-52 | 102 |
| Consolidated Balance Sheet | F-58 | 108 |
| Consolidated Statement of Comprehensive Income | F-60 | 110 |
| Consolidated Statement of Changes in Equity | F-61 | 111 |
| Consolidated Statement of Cash Flows | F-63 | 113 |
| Notes to the Consolidated Financial Statements | F-65 | 115 |

| | Page | 2018 Annual Report[1] |
|---|---|---|
| **Audited Consolidated Financial Statements as of and for the Year Ended December 31, 2018** | | |
| Independent Auditor's Report | F-183 | 71 |
| Consolidated Balance Sheet | F-188 | 76 |
| Consolidated Statement of Comprehensive Income | F-190 | 78 |
| Consolidated Statement of Changes in Equity | F-191 | 79 |
| Consolidated Statement of Cash Flows | F-193 | 81 |
| Notes to the Consolidated Financial Statements | F-195 | 83 |


*Note:*

(1) Our audited consolidated financial statements as of and for the years ended December 31, 2017, 2018 and 2019 set forth herein have been reproduced from our annual reports for the years ended December 31, 2018 and 2019 and page references are references to pages set forth in such annual reports. Our unaudited condensed consolidated financial information as of and for the six months ended June 30, 2019 and 2020 set forth herein has been reproduced from our interim report for the six months ended June 30, 2020 and page references are references to pages set forth in such interim report. The audited consolidated financial statements have not been prepared for the inclusion in this offering memorandum.

pwc 羅兵咸永道

**To the Board of Directors of Sunac China Holdings Limited**
(incorporated in Cayman Islands with limited liability)

## Introduction

We have reviewed the interim financial information set out on pages 28 to 76, which comprises the interim condensed consolidated balance sheet of Sunac China Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2020 and the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

**PricewaterhouseCoopers**
*Certified Public Accountants*

Hong Kong, 25 August 2020

*PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong*
*T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

# INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2020

| | Notes | **30 June 2020 (Unaudited) RMB'000** | 31 December 2019 (Audited) RMB'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 7 | **75,233,549** | 70,101,779 |
| Investment properties | 8 | **28,027,637** | 26,845,510 |
| Right-of-use assets | 9 | **16,193,830** | 14,918,041 |
| Intangible assets | 10 | **9,132,708** | 7,667,411 |
| Deferred tax assets | | **10,619,482** | 8,585,312 |
| Investments accounted for using the equity method | 11 | **80,935,222** | 88,994,292 |
| Financial assets at fair value through profit or loss | 12 | **18,328,671** | 15,588,783 |
| Receivables | 15 | **48,000** | 48,000 |
| Prepayments | 16 | **2,641,743** | 3,018,098 |
| Derivative financial instruments | | **78,470** | 31,629 |
| Amounts due from related companies | 33 | **–** | 170,000 |
| | | **241,239,312** | 235,968,855 |
| **Current assets** | | | |
| Properties under development | 13 | **452,501,115** | 426,783,378 |
| Completed properties held for sale | 14 | **58,823,032** | 55,189,210 |
| Inventories | | **669,617** | 490,307 |
| Trade and other receivables | 15 | **53,012,524** | 47,154,324 |
| Contract assets | | **2,354,404** | 2,059,897 |
| Amounts due from related companies | 33 | **39,576,533** | 40,688,593 |
| Prepayments | 16 | **13,952,424** | 14,662,840 |
| Prepaid income tax | | **8,659,923** | 7,320,149 |
| Restricted cash | 17 | **35,626,769** | 47,787,028 |
| Cash and cash equivalents | | **85,228,617** | 77,943,661 |
| Assets classified as held for sale | | **4,401,000** | 4,401,000 |
| Financial assets at fair value through profit or loss | 12 | **356,118** | 200,000 |
| | | **755,162,076** | 724,680,387 |
| **Total assets** | | **996,401,388** | 960,649,242 |
| **EQUITY** | | | |
| **Equity attributable to owners of the Company** | | | |
| Share capital | 18 | **400,494** | 382,339 |
| Other reserves | 19 | **20,500,378** | 17,510,617 |
| Retained earnings | | **76,139,414** | 65,180,292 |
| | | **97,040,286** | 83,073,248 |
| Perpetual capital securities | 20 | **788,028** | 2,789,505 |
| Other non-controlling interests | | **36,052,033** | 28,231,491 |
| **Total equity** | | **133,880,347** | 114,094,244 |

# INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2020

| | Notes | **30 June 2020 (Unaudited) RMB'000** | 31 December 2019 (Audited) RMB'000 |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Borrowings | 22 | **179,709,980** | 186,542,102 |
| Derivative financial instruments | | **87,104** | 14,358 |
| Lease liabilities | 9 | **483,658** | 436,848 |
| Deferred tax liabilities | | **37,629,097** | 38,534,748 |
| Other payables | 21 | **354,419** | 145,727 |
| | | **218,264,258** | 225,673,783 |
| **Current liabilities** | | | |
| Trade and other payables | 21 | **162,628,153** | 147,133,931 |
| Contract liabilities | | **243,379,571** | 240,818,329 |
| Amounts due to related companies | 33 | **58,049,815** | 58,933,995 |
| Current tax liabilities | | **39,094,127** | 37,323,267 |
| Borrowings | 22 | **140,622,830** | 135,732,857 |
| Lease liabilities | 9 | **216,303** | 176,499 |
| Provisions | | **265,984** | 762,337 |
| | | **644,256,783** | 620,881,215 |
| **Total liabilities** | | **862,521,041** | 846,554,998 |
| **Total equity and liabilities** | | **996,401,388** | 960,649,242 |

The above interim condensed consolidated balance sheet should be read in conjunction with the accompanying notes.

The condensed consolidated interim financial information on pages 28 to 76 was approved by the Board of Directors on 25 August 2020 and was signed on its behalf.

**Sun Hongbin**
*Director*

**Wang Mengde**
*Director*

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

| | | Unaudited Six months ended 30 June | |
|---|---|---|---|
| | Notes | **2020 RMB'000** | 2019 RMB'000 |
| Revenue | 6 | **77,341,665** | 76,837,895 |
| Cost of sales | 23 | **(59,585,858)** | (57,484,437) |
| **Gross profit** | | **17,755,807** | 19,353,458 |
| Other income and gains | 24 | **7,308,023** | 5,189,148 |
| Selling and marketing costs | 23 | **(2,615,289)** | (2,563,053) |
| Administrative expenses | 23 | **(3,685,860)** | (4,074,070) |
| Other expenses and losses | 25 | **(634,957)** | (1,058,495) |
| Net impairment losses on financial and contract assets | | **(96,047)** | (1,147,332) |
| **Operating profit** | | **18,031,677** | 15,699,656 |
| Finance income | 26 | **861,111** | 620,088 |
| Finance expenses | 26 | **(2,451,591)** | (1,233,268) |
| Finance expenses – net | | **(1,590,480)** | (613,180) |
| Share of post-tax profits of associates and joint ventures accounted for using the equity method, net | | **2,414,541** | 3,630,399 |
| **Profit before income tax** | | **18,855,738** | 18,716,875 |
| Income tax expense | 27 | **(7,154,856)** | (7,425,766) |
| **Profit for the period** | | **11,700,882** | 11,291,109 |
| **Other comprehensive income for the period** | | **–** | – |
| **Total comprehensive income for the period** | | **11,700,882** | 11,291,109 |
| ***Attributable to:*** | | | |
| – Owners of the Company | | **10,959,122** | 10,286,306 |
| – Holders of perpetual capital securities | 20 | **68,297** | 173,183 |
| – Other non-controlling interests | | **673,463** | 831,620 |
| | | **11,700,882** | 11,291,109 |
| **Earnings per share attributable to owners of the Company (expressed in RMB per share):** | 28 | | |
| – Basic earnings per share | | **2.41** | 2.37 |
| – Diluted earnings per share | | **2.39** | 2.34 |

The above interim condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

For the six months ended 30 June 2020

| | | Unaudited | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Attributable to owners of the Company | | | | | | |
| | Notes | Share capital RMB'000 | Other reserves RMB'000 | Retained earnings RMB'000 | Total RMB'000 | Perpetual capital securities RMB'000 | Other non-controlling interests RMB'000 | Total equity RMB'000 |
| **Balance at 1 January 2020** | | 382,339 | 17,510,617 | 65,180,292 | 83,073,248 | 2,789,505 | 28,231,491 | 114,094,244 |
| **Total comprehensive income for the period ended 30 June 2020** | | – | – | 10,959,122 | 10,959,122 | 68,297 | 673,463 | 11,700,882 |
| **Transactions with owners, recognised directly in equity** | | | | | | | | |
| Capital contributions from non-controlling interests | | – | – | – | – | – | 5,439,475 | 5,439,475 |
| Non-controlling interests arising from acquisition of assets and liabilities through acquisition of subsidiaries | | – | – | – | – | – | 1,110,430 | 1,110,430 |
| Non-controlling interests arising on business combination | 31 | – | – | – | – | – | 828,549 | 828,549 |
| Disposal of subsidiaries | 32 | – | – | – | – | – | (4,799) | (4,799) |
| Dividends to non-controlling interests | | – | – | – | – | – | (10,431) | (10,431) |
| Transactions with non-controlling interests | | – | 1,139,948 | – | 1,139,948 | – | (216,145) | 923,803 |
| Proceeds from placing of new shares | 18,19 | 16,564 | 7,036,066 | – | 7,052,630 | – | – | 7,052,630 |
| Redemption of perpetual capital securities | | – | – | – | – | (1,903,000) | – | (1,903,000) |
| Distributions to holders of perpetual capital securities | | – | – | – | – | (166,774) | – | (166,774) |
| Employees share option schemes: | | | | | | | | |
| – Proceeds from shares issued | 18,19 | 1,591 | 173,693 | – | 175,284 | – | – | 175,284 |
| Share award scheme: | | | | | | | | |
| – Value of employee services | 19 | – | 366,105 | – | 366,105 | – | – | 366,105 |
| Dividends relating to 2019 | 19 | – | (5,726,051) | – | (5,726,051) | – | – | (5,726,051) |
| | | 18,155 | 2,989,761 | – | 3,007,916 | (2,069,774) | 7,147,079 | 8,085,221 |
| **Balance at 30 June 2020** | | 400,494 | 20,500,378 | 76,139,414 | 97,040,286 | 788,028 | 36,052,033 | 133,880,347 |

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

For the six months ended 30 June 2020

| | | Unaudited | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Attributable to owners of the Company | | | | | | |
| | Notes | Share capital RMB'000 | Other reserves RMB'000 | Retained earnings RMB'000 | Total RMB'000 | Perpetual capital securities RMB'000 | Other non-controlling interests RMB'000 | Total equity RMB'000 |
| **Balance at 1 January 2019** | | 378,421 | 14,259,603 | 42,198,205 | 56,836,229 | 5,526,772 | 10,743,568 | 73,106,569 |
| Total comprehensive income for the period ended 30 June 2019 | | – | – | 10,286,306 | 10,286,306 | 173,183 | 831,620 | 11,291,109 |
| **Transactions with owners, recognised directly in equity** | | | | | | | | |
| Non-controlling interests arising on business combination | | – | – | – | – | – | 177,243 | 177,243 |
| Capital contributions from non-controlling interests | | – | – | – | – | – | 367,278 | 367,278 |
| Transactions with non-controlling interests | | – | (25,595) | – | (25,595) | – | 26,422 | 827 |
| Capital reduction of a subsidiary | | – | – | – | – | – | (180,000) | (180,000) |
| Redemption of perpetual capital securities | | – | – | – | – | (980,300) | – | (980,300) |
| Distributions to holders of perpetual capital securities | | – | – | – | – | (246,792) | – | (246,792) |
| Employees share option schemes: | | | | | | | | |
| – Value of employee services | 19 | – | 59,121 | – | 59,121 | – | – | 59,121 |
| – Proceeds from shares issued | | 2,856 | 243,589 | – | 246,445 | – | – | 246,445 |
| Share award scheme: | | | | | | | | |
| – Value of employee services | 19 | – | 294,257 | – | 294,257 | – | – | 294,257 |
| Purchase of shares for share award scheme | 19 | – | (794,630) | – | (794,630) | – | – | (794,630) |
| Dividends relating to 2018 | 19 | – | (3,644,638) | – | (3,644,638) | – | – | (3,644,638) |
| | | 2,856 | (3,867,896) | – | (3,865,040) | (1,227,092) | 390,943 | (4,701,189) |
| **Balance at 30 June 2019** | | 381,277 | 10,391,707 | 52,484,511 | 63,257,495 | 4,472,863 | 11,966,131 | 79,696,489 |

The above interim condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

| | | Unaudited Six months ended 30 June | |
|---|---|---|---|
| | Notes | **2020 RMB'000** | 2019 RMB'000 |
| **Cash flows from operating activities** | | | |
| Cash generated from operations | | **31,628,339** | 51,745,484 |
| Income tax paid | | **(9,188,996)** | (8,668,378) |
| **Net cash generated from operating activities** | | **22,439,343** | 43,077,106 |
| **Cash flows from investing activities** | | | |
| Net cash outflow on business combinations | 31 | **(1,770,143)** | (14,708,290) |
| Disposal of subsidiaries | 32 | **29,071** | (762,362) |
| Proceeds from disposal and capital decreasing of joint ventures and associates | | **11,835,714** | 434,280 |
| Consideration paid for acquisition of subsidiaries | | **(8,412,662)** | (11,216,811) |
| Cash advance payment for potential equity transactions | | **(653,350)** | (312,107) |
| Investments in joint ventures and associates | | **(6,326,665)** | (11,248,430) |
| Dividend received from joint ventures and associates | | **2,619,258** | 252,043 |
| Payments for financial assets at fair value through profit or loss ("FVPL") | | **(122,012)** | (3,569,789) |
| Purchases of property, plant and equipment ("PP&E"), land use rights, intangible assets and investment properties | | **(8,503,812)** | (10,567,327) |
| Proceed from redemption of financial assets at FVPL | | **244,824** | 173,373 |
| Loans granted to joint ventures and associates | | **(5,252,432)** | (18,106,155) |
| Repayments of loan received from joint ventures and associates | | **2,981,324** | 6,036,108 |
| Interest received | | **2,053,888** | 593,507 |
| Proceeds from disposals of PP&E and land use rights | | **865,636** | – |
| Others | | **–** | (38,571) |
| **Net cash used in investing activities** | | **(10,411,361)** | (63,040,531) |

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

| | | Unaudited Six months ended 30 June | |
|---|---|---|---|
| | Notes | **2020 RMB'000** | 2019 RMB'000 |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of ordinary shares | | **7,227,914** | 246,445 |
| Proceeds paid for purchase of shares for share award scheme | | **–** | (794,630) |
| Redemption of perpetual capital securities | | **(1,903,000)** | (980,300) |
| Proceeds from borrowings | | **105,844,771** | 132,101,426 |
| Repayments of borrowings | | **(111,758,409)** | (74,185,610) |
| Proceeds from derivative financial instruments | | **9,707** | 56,576 |
| Distribution paid to holders of perpetual capital securities | | **(166,774)** | (246,792) |
| Dividends or deem distribution paid to non-controlling interests | | **(1,044,513)** | (237,072) |
| Loans from non-controlling interests | | **3,151,086** | 1,734,057 |
| Loan repayments to non-controlling interests | | **(1,639,417)** | (1,321,676) |
| Proceeds from transaction with non-controlling interests | | **793,099** | 827 |
| Interest paid | | **(14,958,974)** | (10,980,793) |
| Deposit received/(guaranteed) for bank borrowings | | **6,008,876** | (2,656,684) |
| Contribution from non-controlling interests | | **3,770,620** | 128,807 |
| Principal elements of lease payments | | **(100,792)** | (65,862) |
| Others | | **(50,000)** | – |
| **Net cash (used in)/generated from financing activities** | | **(4,815,806)** | 42,798,719 |
| **Net increase in cash and cash equivalents** | | **7,212,176** | 22,835,294 |
| Cash and cash equivalents at beginning of period | | **77,943,661** | 76,181,041 |
| Effect of exchange difference | | **72,780** | 218,718 |
| **Cash and cash equivalents at end of period** | | **85,228,617** | 99,235,053 |

The above interim condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

## 1 General information

Sunac China Holdings Limited (the "Company") and its subsidiaries (together, the "Group") are principally engaged in the businesses of property development and investment, cultural and tourism city construction and operation, property management services and other services in the People's Republic of China (the "PRC").

The Company is a limited liability company incorporated in the Cayman Islands. The address of its registered office is 190 Elgin Avenue, George Town, Grand Cayman KY1–9005, Cayman Islands.

The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

This condensed consolidated interim financial information is presented in Renminbi ("RMB"), unless otherwise stated.

## 2 Basis of preparation

This condensed consolidated interim financial report for the half-year reporting period ended 30 June 2020 has been prepared in accordance with Hong Kong Accounting Standards ("HKAS") 34 *Interim financial reporting*. The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2019 and any public announcement made by the Company during the interim reporting period.

## 3 Accounting policies

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below.

### (A) NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

Below new and amended standards and interpretations became effective for annual reporting periods commencing on 1 January 2020 and adopted by the Group for the first time in 2020 interim report:

- *Definition of Material – Amendments* to HKAS 1 and HKAS 8,
- *Revised Conceptual Framework for Financial Reporting*, and
- *Interest Rate Benchmark Reform – Amendments* to HKFRS 9, HKAS 39 and HKFRS 7

All of the amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

### (B) IMPACT OF STANDARDS ISSUED BUT NOT YET APPLIED BY THE GROUP

Certain new accounting standards and amendments have been published, which are not effective for 2020 interim reporting period and have not been early adopted by the Group. These new and amended standards are not expected to have any significant impact on the Group in the current or future reporting periods and on foreseeable future transactions.

| | Effective for the financial year beginning on or after |
|---|---|
| *Covid-19-related Rent Concessions – Amendment* to HKFRS 16 | 1 June 2020 |
| *Update Reference to the Conceptual Framework – Amendments* to HKFRS 3 | 1 January 2022 |
| *Proceeds Before Intended Use – Amendments* to HKAS 16 | 1 January 2022 |
| *Onerous Contracts – Costs of Fulfilling a Contract – Amendments* to HKAS 37 | 1 January 2022 |
| *Annual Improvements to* HKFRSs 2018-2020 | 1 January 2022 |
| *Classification of Liabilities as Current or Non-current – Amendments* to HKAS 1 | 1 January 2023 |
| HKFRS 17 *Insurance Contracts* | 1 January 2023 |
| *Sale or Contribution of Assets Between an Investor and its Associate or Joint Ventures – Amendments* to HKFRS 10 and HKAS 28 | To be determined |

## 4 Estimates

The preparation of the interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements and estimations made by management were the same as those that applied to the consolidated financial statements for the year ended 31 December 2019.

## 5 Financial risk management and financial instruments

### 5.1 FINANCIAL RISK FACTORS

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The condensed consolidated interim financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2019.

There have been no significant changes in the risk or in any risk management policies since 31 December 2019.

## 5 Financial risk management and financial instruments *(Continued)*

### 5.2 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

This note provides an update on the judgements and estimates made by the Group in determining the fair values of the financial instruments since the last annual financial report.

**(i) Fair value hierarchy**

To provide an indication about the reliability of the inputs used in determining fair value, the Group classifies its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value at 30 June 2020 and 31 December 2019 on a recurring basis:

| **At 30 June 2020** | **Notes** | **Level 1 RMB'000** | **Level 2 RMB'000** | **Level 3 RMB'000** | **Total RMB'000** |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Financial assets at FVPL | **12** | **2,298,548** | **–** | **16,386,241** | **18,684,789** |
| Derivative financial instruments | | **–** | **78,470** | **–** | **78,470** |
| **Financial liabilities** | | | | | |
| Derivative financial instruments | | **–** | **87,104** | **–** | **87,104** |

| At 31 December 2019 | Notes | Level 1 RMB'000 | Level 2 RMB'000 | Level 3 RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Financial assets at FVPL | 12 | 121,585 | – | 15,667,198 | 15,788,783 |
| Derivative financial instruments | | – | 31,629 | – | 31,629 |
| **Financial liabilities** | | | | | |
| Derivative financial instruments | | – | 14,358 | – | 14,358 |

## 5 Financial risk management and financial instruments *(Continued)*

### 5.2 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS *(Continued)*

**(i) Fair value hierarchy** *(Continued)*

During the six months ended 30 June 2020, there were no transfers between different levels.

**Level 1**: The fair value of financial instruments traded in active markets (such as publicly traded derivatives and equity securities) is based on quoted market prices at the end of the reporting period. The quoted marked price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

**Level 2**: The fair value of financial instruments that are not traded in an active market (for example, over – the – counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

**Level 3**: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

**(ii) Valuation techniques used to determine fair values**

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments;
- discounted cash flow model and unobservable inputs mainly including assumptions of expected future cash flows and discount rate;
- price/booking multiple method, backsolve method, equity allocation model and option pricing method with observable and unobservable inputs, including risk-free rate, expected volatility, discount rate for lack of marketability, discount rate, market multiples rate, etc.
- for currency and interest rate derivative contracts – option pricing model and the present value of the estimated future premium payments set out in these contracts, and
- for option embedded in the corporate bond contracts – trinomial option pricing model and monte carlo simulation model with prominent factors that will materially affect value of the options, including terms and conditions of the option of the bonds, volatilities of the market interest rates, etc.

The financial instruments classified as level 2 represent currency and interest rate derivative contracts entered into with certain commercial banks and option embedded in the corporate bond contracts. The contracts do not qualify for hedge accounting, so that they are classified as derivative financial instruments on the balance sheet and with fair value changes recognised in the profit or loss.

As at 30 June 2020 and 31 December 2019, the Group's level 3 instruments included unlisted equity investments and debt instruments.

## 5 Financial risk management and financial instruments *(Continued)*

### 5.2 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS *(Continued)*

**(iii) Fair value measurements using significant unobservable inputs (level 3) and valuation inputs and relationships to fair value**

The following table presents the changes in level 3 items for the periods ended 30 June 2020:

| | Financial assets at FVPL | | |
|---|---|---|---|
| | **Unlisted equity securities** RMB'000 | **Debt instruments** RMB'000 | **Total** RMB'000 |
| **Opening balance 1 January 2020** | **14,505,084** | **1,162,114** | **15,667,198** |
| Acquisition of subsidiary | – | 226,136 | 226,136 |
| Addition | – | 122,012 | 122,012 |
| Disposals | (20,090) | (202,424) | (222,514) |
| Gains recognised in other income and gains* | 583,015 | 10,394 | 593,409 |
| **Closing balance 30 June 2020** | **15,068,009** | **1,318,232** | **16,386,241** |
| * includes unrealised gains or (losses) recognised in profit or loss attributable to balances held at the end of the reporting period | 583,015 | 10,394 | 593,409 |

The following table summarises the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements. See (ii) above for the valuation techniques adopted.

| | Fair value at | | | | Range of significant unobservable inputs | |
|---|---|---|---|---|---|---|
| **Description** | **30 Jun 2020 RMB'000** | 31 Dec 2019 RMB'000 | **Valuation method** | **Significant unobservable inputs** | **2020** | 2019 |
| Unlisted equity securities | **15,068,009** | 14,505,084 | Price/booking multiple method, backsole method, equity allocation model,option pricing method and discounted cash flow model | Discount rate for lack of marketability | **5%-20%** | 10% |
| | | | | Expected volatility rate | **36.19%-42.63%** | 30.78%-54.36% |
| | | | | Discounted rate | **13%** | 13% |
| Other financial instruments | **1,318,232** | 1,162,114 | Discounted cash flow model | Discounted rate | **3.58%-6.2%** | 4.2%-4.85% |

## 5 Financial risk management and financial instruments *(Continued)*

### 5.2 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS *(Continued)*

**(iii) Fair value measurements using significant unobservable inputs (level 3) and valuation inputs and relationships to fair value** *(Continued)*

Relationships of unobservable inputs to fair value are as follows:

- The higher rate of discount rate, the lower fair value;
- The higher rate of discount rate for lack of marketability, the lower fair value;
- The higher rate of expected volatility, the lower fair value.

The management performs the valuation of financial instruments for financial reporting purposes. Unobservable inputs including discount rate, expected volatility rate and interest rate are assessed by the independent valuers based on current market assessments of the time value of money and the risk specific to the asset being valued.

**(iv) Fair values of other financial instruments (unrecognised)**

The Group also has a number of financial instruments which are not measured at fair value in the balance sheet. For the majority of these instruments, the fair values are not materially different to their carrying amounts, since either the interest receivable/payable is close to current market rates or the instruments are short-term in nature. Significant differences were identified for the following instruments at 30 June 2020:

| | **Carrying amount** | **Fair value** |
|---|---|---|
| | RMB'000 | RMB'000 |
| **Non-current borrowings:** | | |
| – Corporate bonds (note 22) | 15,090,154 | 15,705,723 |
| – Private domestic corporate bonds (note 22) | 15,273,336 | 16,138,041 |
| | 30,363,490 | 31,843,764 |

## 6 Segment information

The executive directors of the Company review the Group's internal reporting in order to assess performance and allocate resources of the Group. The executive directors of the Company have determined the operating segments based on these reports.

The executive directors assess the performance of the Group organised as follows:

- Property development
- Cultural and tourism city construction and operation
- All other segments

Other segments mainly include property management, office building rentals and fitting and decoration services. The results of these operations are included in the "all other segments" column.

The performance of above reportable segments is assessed based on a measure of profit before depreciation and amortisation, interest expenses and income tax expenses, defined as segment results. The segment results exclude the fair value gains or losses on financial assets at FVPL and derivative financial instruments and share of profits or losses and impairment losses of certain non-core business investments accounted using the equity method, which are managed on a central basis.

Segment assets primarily consist of all assets excluding deferred tax assets, financial assets at FVPL, derivative financial instruments, assets classified as held for sale and certain investments accounted using the equity method, which are managed on a central basis. Segment liabilities primarily consist of all liabilities excluding deferred tax liabilities, current tax liabilities, provisions and derivative financial instruments.

The Group's revenue is mainly attributable to the market in the PRC and over 90% of the Group's non-current assets are located in the PRC. No geographical information is therefore presented.

The Group has a large number of customers, none of whom contributed 10% or more of the Group's revenue.

## 6 Segment information *(Continued)*

The segment results are as follows:

| | Six months ended 30 June 2020 | | | |
|---|---|---|---|---|
| | Property development RMB'000 | Cultural and tourism city construction and operation RMB'000 | All other segments RMB'000 | Total RMB'000 |
| Total segment revenue | 73,073,754 | 979,641 | 12,167,935 | 86,221,330 |
| *Recognised at a point in time* | 55,193,128 | 313,557 | 85,199 | 55,591,884 |
| *Recognised over time* | 17,880,626 | 666,084 | 12,082,736 | 30,629,446 |
| Inter-segment revenue | – | – | (8,879,665) | (8,879,665) |
| **Revenue from external customers** | 73,073,754 | 979,641 | 3,288,270 | 77,341,665 |
| Net impairment losses on financial and contract assets | (96,047) | – | – | (96,047) |
| Net fair value gains on investment properties | – | 50,699 | – | 50,699 |
| Interest income | 2,197,163 | – | 2,752 | 2,199,915 |
| Finance income | 853,586 | – | 7,525 | 861,111 |
| Share of post-tax profits of associates and joint ventures accounted for using the equity method, net | 2,392,492 | 8,990 | 13,059 | 2,414,541 |
| **Segment results** | 21,005,953 | 60,677 | 789,271 | 21,855,901 |
| **Other information** | | | | |
| Capital expenditure | 723,709 | 4,176,834 | 431,965 | 5,332,508 |

| | As at 30 June 2020 | | | |
|---|---|---|---|---|
| | Property development RMB'000 | Cultural and tourism city construction and operation RMB'000 | All other segments RMB'000 | Total RMB'000 |
| **Total segment assets** | 789,797,250 | 112,759,158 | 51,401,316 | 953,957,724 |
| Investments accounted for using the equity method | 80,385,280 | 218,879 | 331,063 | 80,935,222 |
| **Total segment liabilities** | 730,545,729 | 23,415,848 | 31,524,534 | 785,486,111 |

## 6 Segment information *(Continued)*

| | Six months ended 30 June 2019 | | | |
|---|---|---|---|---|
| | Property development RMB'000 | Cultural and tourism city construction and operation RMB'000 | All other segments RMB'000 | Total RMB'000 |
| Total segment revenue | 73,416,826 | 1,077,030 | 5,777,886 | 80,271,742 |
| *Recognised at a point in time* | 50,707,028 | 267,843 | – | 50,974,871 |
| *Recognised over time* | 22,709,798 | 809,187 | 5,777,886 | 29,296,871 |
| Inter-segment revenue | – | – | (3,433,847) | (3,433,847) |
| **Revenue from external customers** | 73,416,826 | 1,077,030 | 2,344,039 | 76,837,895 |
| Net impairment losses on financial and contract assets | (60,369) | – | – | (60,369) |
| Net fair value gains on investment properties | 283,037 | 675,888 | – | 958,925 |
| Interest income | 1,980,436 | – | – | 1,980,436 |
| Finance income | 620,088 | – | – | 620,088 |
| Share of post-tax profits of associates and joint ventures accounted for using the equity method, net | 3,754,245 | – | 31,376 | 3,785,621 |
| **Segment results** | 21,706,842 | 372,607 | 262,203 | 22,341,652 |
| **Other information** | | | | |
| Capital expenditure | 462,975 | 13,364,138 | 284,384 | 14,111,497 |

| | As at 31 December 2019 | | | |
|---|---|---|---|---|
| | Property development RMB'000 | Cultural and tourism city construction and operation RMB'000 | All other segments RMB'000 | Total RMB'000 |
| **Total segment assets** | 788,834,530 | 100,117,656 | 35,400,183 | 924,352,369 |
| Investments accounted for using the equity method | 88,575,679 | 166,584 | 252,029 | 88,994,292 |
| **Total segment liabilities** | 724,874,620 | 22,470,962 | 22,767,941 | 770,113,523 |

## 6 Segment information *(Continued)*

Reportable segment results are reconciled to total profit as follows:

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | **RMB'000** | RMB'000 |
| Total segment results | **21,855,901** | 22,341,652 |
| Net impairment losses on financial and contract assets | **–** | (1,086,963) |
| Depreciation and amortisation | **(1,230,113)** | (752,018) |
| Finance expenses | **(2,451,591)** | (1,233,268) |
| Other income and gains | **752,197** | 351,531 |
| Other expenses and losses | **(70,656)** | (748,837) |
| Share of losses of investments accounted for using equity method, net | **–** | (155,222) |
| Income tax expense | **(7,154,856)** | (7,425,766) |
| **Profit for the period** | **11,700,882** | 11,291,109 |

Reportable segments' assets and liabilities are reconciled to total assets and liabilities as follows:

| | **30 June** | 31 December |
|---|---|---|
| | **2020** | 2019 |
| | **RMB'000** | RMB'000 |
| Total segment assets | **953,957,724** | 924,352,369 |
| Deferred tax assets | **10,619,482** | 8,585,312 |
| Other assets | **31,824,182** | 27,711,561 |
| **Total assets** | **996,401,388** | 960,649,242 |
| Total segment liabilities | **785,486,111** | 770,113,523 |
| Deferred tax liabilities | **37,629,097** | 38,534,748 |
| Other liabilities | **39,405,833** | 37,906,727 |
| **Total liabilities** | **862,521,041** | 846,554,998 |

## 6 Segment information *(Continued)*

### ASSETS AND LIABILITIES RELATED TO CONTRACTS WITH CUSTOMERS

The Group has recognised the following assets and liabilities related to contracts with customers:

| | **30 June 2020 RMB'000** | 31 December 2019 RMB'000 |
|---|---|---|
| Related to development and sales of properties contracts: | | |
| Current contract assets | **2,730** | 41,366 |
| Cost to obtain the contracts | **2,352,032** | 2,018,889 |
| Loss allowance | **(358)** | (358) |
| Total contract assets | **2,354,404** | 2,059,897 |
| Contract liabilities | **243,379,571** | 240,818,329 |

## 7 Property, plant and equipment

| | Buildings and equipment RMB'000 | Vehicles RMB'000 | Furniture and office equipment RMB'000 | Leasehold Improve-ments RMB'000 | Construction in progress ("CIP") RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|
| **At 31 December 2019** | | | | | | |
| Cost | 52,929,256 | 188,790 | 598,781 | 574,699 | 18,120,199 | 72,411,725 |
| Accumulated depreciation | (1,907,289) | (89,655) | (175,850) | (137,152) | – | (2,309,946) |
| Net book amount | 51,021,967 | 99,135 | 422,931 | 437,547 | 18,120,199 | 70,101,779 |
| **Half-year ended 30 June 2020** | | | | | | |
| Opening net book amount | 51,021,967 | 99,135 | 422,931 | 437,547 | 18,120,199 | 70,101,779 |
| Acquisition of subsidiaries (note 31) | 50,988 | 4,046 | 17,756 | 3,268 | 2,986,928 | 3,062,986 |
| Additions | 28,941 | 4,969 | 75,398 | 30,881 | 3,228,941 | 3,369,130 |
| Transfer | 399,560 | – | – | – | (399,560) | – |
| Disposal of subsidiaries (note 32) | – | – | (27) | (2,388) | – | (2,415) |
| Disposals | (402,817) | (2,936) | (27,088) | – | – | (432,841) |
| Depreciation charge | (739,863) | (12,646) | (82,390) | (30,191) | – | (865,090) |
| Closing net book amount | 50,358,776 | 92,568 | 406,580 | 439,117 | 23,936,508 | 75,233,549 |
| **At 30 June 2020** | | | | | | |
| Cost | 52,936,386 | 186,265 | 619,909 | 606,375 | 23,936,508 | 78,285,443 |
| Accumulated depreciation | (2,577,610) | (93,697) | (213,329) | (167,258) | – | (3,051,894) |
| Net book amount | 50,358,776 | 92,568 | 406,580 | 439,117 | 23,936,508 | 75,233,549 |

For the six months ended 30 June 2020, depreciation expense of RMB693 million has been charged to "cost of sales", RMB46 million in "selling and marketing costs" and RMB126 million in "administrative expenses".

## 8 Investment properties

Office buildings, shopping malls and commercial properties at fair value:

| | Total<br>RMB'000 |
|---|---|
| At 31 December 2019 | 26,845,510 |
| Additions | 1,082,545 |
| Acquisition of subsidiaries (note 31) | 567,479 |
| Disposal of subsidiaries (note 32) | (40,517) |
| Fair value changes | 50,699 |
| Transfer to properties under development | (478,079) |
| At 30 June 2020 | 28,027,637 |

The Group's investment properties are all office building, shopping malls and commercial properties located in the PRC.

As at 30 June 2020, all the investment properties are within level 3 of the fair value hierarchy. Management obtains independent valuations for its investment properties including office buildings, shopping malls and commercial properties. DTZ Cushman & Wakefield Limited performed the independent valuation of these buildings. There were no changes to the valuation techniques during the period.

## 9 Leases

| | Land use rights RMB'000 | Properties RMB'000 | Vehicles RMB'000 | Total right-of-use assets RMB'000 |
|---|---|---|---|---|
| **Right-of-use assets** | | | | |
| 31 December 2019 | 14,347,927 | 563,560 | 6,554 | 14,918,041 |
| Addition | 792,326 | 163,408 | 4,307 | 960,041 |
| Acquisition of subsidiaries (note 31) | 704,974 | 21,254 | – | 726,228 |
| Disposal | (101,285) | – | – | (101,285) |
| Depreciation | (200,729) | (105,572) | (2,894) | (309,195) |
| 30 June 2020 | 15,543,213 | 642,650 | 7,967 | 16,193,830 |

## 9 Leases *(Continued)*

| | **30 June 2020 RMB'000** | 31 December 2019 RMB'000 |
|---|---|---|
| **Lease liabilities** | | |
| Current | **216,303** | 176,499 |
| Non-current | **483,658** | 436,848 |
| Total lease liabilities | **699,961** | 613,347 |

For the six months ended 30 June 2020, depreciation expense of RMB126 million has been charged to "cost of sales" and RMB183 million in "administrative expenses".

## 10 Intangible assets

| | **Goodwill[a]** RMB'000 | **Others** RMB'000 | **Total** RMB'000 |
|---|---|---|---|
| **At 31 December 2019** | | | |
| Cost | 6,652,444 | 2,044,400 | 8,696,844 |
| Accumulated amortisation and impairment | (514,636) | (514,797) | (1,029,433) |
| Net book amount | 6,137,808 | 1,529,603 | 7,667,411 |
| **Half-year ended 30 June 2020** | | | |
| Opening net book amount | 6,137,808 | 1,529,603 | 7,667,411 |
| Acquisition of subsidiaries (note 31) | 1,319,925 | 250,087 | 1,570,012 |
| Addition | – | 88,507 | 88,507 |
| Impairment charges | (137,394) | – | (137,394) |
| Amortisation charges | – | (55,828) | (55,828) |
| Closing net book amount | 7,320,339 | 1,812,369 | 9,132,708 |
| **At 30 June 2020** | | | |
| Cost | 7,972,369 | 2,382,994 | 10,355,363 |
| Accumulated amortisation and impairment | (652,030) | (570,625) | (1,222,655) |
| Net book amount | 7,320,339 | 1,812,369 | 9,132,708 |

## 10 Intangible assets *(Continued)*

### (A) IMPAIRMENT TESTS FOR GOODWILL

Goodwill was generated from business combination and allocated to each project or a group of projects, which is expected to benefit from the synergies of the combination. Each project is identified as a CGU and the recoverable amount of a CGU is determined based on value-in-use method.

A segment-level summary of the goodwill allocation is presented below.

| | **30 June 2020 RMB'000** | 31 December 2019 RMB'000 |
|---|---|---|
| Cultural and tourism city construction and operation | **4,392,488** | 4,392,488 |
| Property development | **595,411** | 732,805 |
| All other segments | **2,332,440** | 1,012,515 |
| | **7,320,339** | 6,137,808 |

There have been no significant changes in goodwill allocation for the six months ended 30 June 2020. Management reviews the business performance and monitors the goodwill on individual CGU or group of CGUs basis as at 30 June 2020. The following table sets out the key assumptions for those CGUs that have significant goodwill allocated to them:

| Assumption | Cultural and tourism city construction and operation |
|---|---|
| **2020:** | |
| Revenue growth rate | Start-up period: 12%-18%<br>Stable period: 4%-8% |
| Profit rate over the stable period | 13%-58% |
| Long-term growth rate | 3% |
| Pre-tax discount rate | 12.1% |

Except for the goodwill allocated to cultural and tourism city construction and operation segment, there is no individual CGU or group of CGUs for which the carrying amount of goodwill is significant in comparison with the total carrying amount of goodwill. The key assumptions used to determine the recoverable amount of each CGU include the future unit selling price, revenue growth rate, profit rate, long-term growth rate, estimated future costs to complete the project development and pre-tax discount rate. The range of pre-tax discount rate used for the analysis of each CGU in the operating entities is 18.3%-24.8% as at 30 June 2020 (2019 pre-tax discount rate: 20%-24.7%).

The impairment charge of RMB137.39 million arose from property development companies which were in the completion stage of real estate development projects. Except for the impairment projects, the recoverable amounts of above CGU or group CGUs are estimated to exceed the carrying amounts at 30 June 2020.

## 10 Intangible assets *(Continued)*

### (A) IMPAIRMENT TESTS FOR GOODWILL *(Continued)*

If the revenue growth rates or profit rates used in the value-in-use calculation for the cultural and tourism city construction and operation CGUs have been 5% lower than management's estimation, the recoverable amounts would be still exceeding the carrying amount and there would be no impairment against goodwill allocated in this segment.

If the pre-tax discount rate applied to the cash flow projections of these CGUs changes to 12.7%, the recoverable amounts would be still exceeding the carrying amount and there would be no impairment against goodwill allocated in this segment.

The Directors and management have considered and assessed reasonably possible changes for other key assumptions and have not identified any instances that would have resulted in a significant impairment against the goodwill of the Group.

## 11 Investments accounted for using the equity method

The investment amounts recognised in the balance sheet were as follows:

| | **30 June 2020 RMB'000** | 31 December 2019 RMB'000 |
|---|---|---|
| Joint ventures | **59,830,369** | 60,049,425 |
| Associates | **21,104,853** | 28,944,867 |
| | **80,935,222** | 88,994,292 |

## 11 Investments accounted for using the equity method *(Continued)*

### 11.1 INVESTMENTS IN JOINT VENTURES

The following table analyses, on an aggregate basis, the movement of the carrying amount of the Group's investments in joint ventures, and the share of results of these joint ventures.

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | **RMB'000** | RMB'000 |
| At beginning of period | **60,049,425** | 40,009,448 |
| Additions: | | |
| – Capital contributions to joint ventures at establishment | **1,885,898** | 10,169,882 |
| – Acquisition of joint ventures | **1,709,857** | 1,478,619 |
| – Additional investments in existing joint ventures | **1,846,138** | 1,334,926 |
| – Subsidiaries became joint ventures | **–** | 1,031,840 |
| – Acquisition from business combination | **47,198** | 5,531,988 |
| Disposals: | | |
| – Disposal of investments in joint ventures | **(2,893,570)** | (629,865) |
| – Joint ventures became subsidiaries | **–** | (233,291) |
| Capital decreasing of a joint venture | **(1,373,273)** | (977,550) |
| Share of profits of joint ventures, net | **1,381,653** | 2,483,515 |
| Dividends from joint ventures | **(2,822,957)** | (104,940) |
| At end of period | **59,830,369** | 60,094,572 |

### 11.2 INVESTMENTS IN ASSOCIATES

The following table analyses, on an aggregate basis, the movement of the carrying amount of the Group's investments in associates, and the share of results of these associates.

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | **RMB'000** | RMB'000 |
| At beginning of period | **28,944,867** | 25,487,378 |
| Additions: | | |
| – Capital contributions to associates at establishment | **32,095** | 200,700 |
| – Acquisitions of associates | **–** | 268,155 |
| – Additional investments in an existing associate | **2,583,695** | 257,835 |
| – Subsidiaries became associates | **–** | 288,830 |
| Disposals: | | |
| – Disposals of investments in associates | **(10,126,612)** | – |
| Impairment provision for investment in an associate | **–** | (698,328) |
| Capital decreasing of associates | **–** | (1,399,530) |
| Share of profits of associates, net | **454,086** | 984,086 |
| Dividends from associates | **(783,278)** | (720,442) |
| At end of period | **21,104,853** | 24,668,684 |

## 12 Financial assets at fair value through profit or loss

| | **30 June 2020 RMB'000** | 31 December 2019 RMB'000 |
|---|---|---|
| Listed equity securities | **2,298,548** | 121,585 |
| Unlisted equity securities | **15,068,009** | 14,505,084 |
| Debt investments | **1,318,232** | 1,162,114 |
| | **18,684,789** | 15,788,783 |

For information about the methods and assumptions used in determining the fair value of financial assets at FVPL, please refer to note 5.2.

## 13 Properties under development

| | **30 June 2020 RMB'000** | 31 December 2019 RMB'000 |
|---|---|---|
| Comprising: | | |
| Land use rights costs | **304,219,868** | 299,624,062 |
| Construction costs and capitalised expenditures | **95,020,335** | 81,116,520 |
| Capitalised finance costs | **53,707,772** | 46,372,059 |
| | **452,947,975** | 427,112,641 |
| Less: Provision for loss on realisable value | **(446,860)** | (329,263) |
| | **452,501,115** | 426,783,378 |
| Including: To be completed within 12 months | **147,738,554** | 135,100,510 |
| To be completed after 12 months | **304,762,561** | 291,682,868 |
| | **452,501,115** | 426,783,378 |

The properties under development ("PUDs") are all located in the PRC.

## 14 Completed properties held for sale

| | **30 June 2020 RMB'000** | 31 December 2019 RMB'000 |
|---|---|---|
| Completed properties held for sale | **60,946,673** | 56,867,520 |
| Less: Provision for loss on realisable value | **(2,123,641)** | (1,678,310) |
| | **58,823,032** | 55,189,210 |

The completed properties held for sale are all located in the PRC.

## 15 Trade and other receivables

| | **30 June 2020 RMB'000** | 31 December 2019 RMB'000 |
|---|---|---|
| Non-current – | | |
| Other receivables (c) | **48,000** | 48,000 |
| Current – | | |
| Trade receivables from contracts with customers (a) | **2,401,258** | 1,701,056 |
| Amounts due from non-controlling interests and their related parties (b) | **22,672,263** | 17,831,141 |
| Notes receivables | **93,942** | 75,265 |
| Deposits receivables | **10,889,321** | 10,853,804 |
| Other receivables (c) | **17,356,172** | 17,045,590 |
| | **53,412,956** | 47,506,856 |
| Less: Loss allowance | **(400,432)** | (352,532) |
| | **53,012,524** | 47,154,324 |

As at 30 June 2020 and 31 December 2019, the carrying amounts of the Group's trade and other receivables were all denominated in RMB and the carrying amounts of trade and other receivables approximated their fair values.

## 15 Trade and other receivables *(Continued)*

Notes:

(a) Trade receivables mainly arise from sales of properties and rendering of property management services. Considerations in respect of sales of properties are paid by customers in accordance with the credit terms agreed in the property sale contracts. Property management services income are received in accordance with the term of the relevant property service agreements and are due for payment upon rendering of service. The ageing analysis of trade receivables based on dates of delivery of goods and dates of rendering of services is as follows:

| | **30 June 2020 RMB'000** | 31 December 2019 RMB'000 |
|---|---|---|
| Within 90 days | **1,640,356** | 1,126,438 |
| 91–180 days | **121,529** | 12,517 |
| 181–365 days | **219,350** | 211,952 |
| Over 365 days | **420,023** | 350,149 |
| | **2,401,258** | 1,701,056 |

(b) The amounts due from non-controlling interests and their related parties are unsecured, interest free and have no fixed repayment terms.

(c) Other receivables mainly included the cash advance for land use rights before biding, payments on behalf of customers, interest receivables and amounts due from equity investment partners.

## 16 Prepayments

| | **30 June 2020 RMB'000** | 31 December 2019 RMB'000 |
|---|---|---|
| Non-current – | | |
| Prepayments for equity transactions | **2,606,025** | 2,977,824 |
| Prepayments for purchase of PP&E | **35,718** | 40,274 |
| | **2,641,743** | 3,018,098 |
| Current – | | |
| Tax and surcharge | **2,943,817** | 2,189,970 |
| Prepayments for land use rights acquisitions | **8,959,157** | 10,202,070 |
| Prepayments for construction costs | **1,273,383** | 1,269,574 |
| Others | **776,067** | 1,001,226 |
| | **13,952,424** | 14,662,840 |

As at 30 June 2020 and 31 December 2019, the carrying amounts of the Group's prepayments were all denominated in RMB.

## 17 Restricted cash

| | **30 June 2020 RMB'000** | 31 December 2019 RMB'000 |
|---|---|---|
| Guarantee deposits as reserve for bank loans | **17,827,830** | 21,798,223 |
| Restricted cash from property pre-sale proceeds (a) | **12,921,480** | 17,578,004 |
| Guarantee deposits for bank acceptance | **2,722,394** | 4,125,338 |
| Others | **2,155,065** | 4,285,463 |
| | **35,626,769** | 47,787,028 |

Note:

(a) In certain subsidiaries of the Company, a portion of the proceeds from pre-sale of properties is saved as guarantee bank deposits in accordance with the municipal regulations and is released in line with certain development progress milestones.

## 18 Share capital

| | | **Share capital** | |
|---|---|---|---|
| | **Number of shares (thousands)** | **HK$'000** | **Equivalent to RMB'000** |
| **Authorised:** | | | |
| At 1 January 2020 and 30 June 2020, HK$0.1 per share | 10,000,000 | 1,000,000 | |
| **Issued and fully paid:** | | | |
| As at 1 January 2020 | 4,451,929 | 445,194 | 382,339 |
| Proceeds from placing of new shares (a) | 186,920 | 18,692 | 16,564 |
| Shares issued upon exercise of employees' share options (b) | 16,865 | 1,687 | 1,591 |
| As at 30 June 2020 | 4,655,714 | 465,573 | 400,494 |

Note:

(a) On 10 January 2020, the Company entered into an placing agreement to issue 186,920,000 placing shares at a price of HK$42.80 per share. The net proceeds from this placement after deducting related fees were approximately HK$7.96 billion (equivalent to approximately RMB7.05 billion).

(b) The Company adopted a Post-IPO Share Option Scheme (the "2011 Share Option Scheme") on 29 April 2011 and a new Share Option Scheme (the "2014 Share Option Scheme") on 19 May 2014 respectively (note 19(a)).

## 19 Reserves

| | Share premium RMB'000 | Share option reserve RMB'000 | Other reserves RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| **Six months ended 30 June 2020** | | | | |
| At 1 January 2020 | **5,437,780** | **1,338,957** | **10,733,880** | **17,510,617** |
| Transactions with non-controlling interests | **–** | **–** | **1,139,948** | **1,139,948** |
| Employees share option schemes (a): | | | | |
| – Exercise of employees' share options | **173,693** | **–** | **–** | **173,693** |
| Share award scheme (b) | | | | |
| – Value of employee services | **–** | **366,105** | **–** | **366,105** |
| Proceeds from placing of new shares | **7,036,066** | **–** | **–** | **7,036,066** |
| Dividends relating to 2019 | **(5,726,051)** | **–** | **–** | **(5,726,051)** |
| At 30 June 2020 | **6,921,488** | **1,705,062** | **11,873,828** | **20,500,378** |
| **Six months ended 30 June 2019** | | | | |
| At 1 January 2019 | 9,336,620 | 760,970 | 4,162,013 | 14,259,603 |
| Transactions with non-controlling interests | – | – | (25,595) | (25,595) |
| Employees share option schemes (a): | | | | |
| – Value of employee services | – | 59,121 | – | 59,121 |
| – Exercise of employees' share options | 243,589 | – | – | 243,589 |
| Share award scheme (b) | | | | |
| – Value of employee services | – | 294,257 | – | 294,257 |
| Purchase of shares for share award scheme (b) | (794,630) | – | – | (794,630) |
| Dividends relating to 2018 | (3,644,638) | – | – | (3,644,638) |
| At 30 June 2019 | 5,140,941 | 1,114,348 | 4,136,418 | 10,391,707 |

Note:

(a) For the six months ended 30 June 2020, 16,865 thousands shares in connection with the 2014 Share Option Scheme were exercised by the employees, which resulted in an increase of RMB1.59 million in the share capital and RMB173.69 million in share premium (note 18).

As at 30 June 2020, 60,663 thousand shares of the 2014 Share Option Scheme were exercisable (31 December 2019: 77,528 thousand shares of the 2014 Share Option Scheme).

## 19 Reserves *(Continued)*

Note: (continued)

(b) A share award scheme under which shares may be granted to eligible employees for no cash consideration was approved by the board of directors of the Company on 8 May 2018 (the "Share Award Scheme"). Pursuant to the rules relating to the Share Award Scheme, the Company entrusted a trustee to purchase existing ordinary shares in the open market based on this Share Award Scheme. The trustee will hold such shares on behalf of the relevant selected employees on trust, until such shares are vested with the relevant selected employees in accordance with the scheme rules.

For the six month ended 30 June 2020, no additional share was purchased from open market pursuant to the Share Award Scheme. As at 30 June 2020, the Company has entrusted the trustee to purchase an aggregate of 94,653 thousands shares.

For the six month ended 30 June 2020, 19,795 thousand shares in connection with the Share Award Scheme were granted to the eligible employees for no cash consideration. The fair value of the rights at grant date was estimated by taking the market price of the Company's shares on that date less the present value of expected dividends that will not be received by the eligible employees on their rights during the waiting period. As at 30 June 2020, 12,300 thousand shares in connection with the Share Award Scheme were exercisable.

The total expense recognised in the profit or loss for the Share Award Scheme granted to employees for the six months ended 30 June 2020 was RMB366.1 million.

## 20 Perpetual capital securities

As at 30 June 2020, one perpetual bond issued by one subsidiary of the Group (the "Instrument Issuer") was still outstanding. The perpetual bond contract was guaranteed by Sunac Real Estate Group Co., Ltd. ("Sunac Real Estate", an indirect wholly owned subsidiary of the Company) and secured by the equity interests in a joint venture and a subsidiary. The perpetual bond has no maturity date.

The Instrument issuer may elect to defer interest payment, and is not subject to any limit as to the number of times interest payment can be deferred. The perpetual bond is callable by the Instrument issuer.

As the perpetual bond only imposes contractual obligation on the Group to repay principal or to pay any distribution under certain circumstances, which is at Group's discretion, it has in substance offered the Group an unconditional right to avoid delivering cash or other financial asset to settle contractual obligation. Therefore, the net proceed of the perpetual bond is classified as capital instrument presented in the equity of the Group. The accrual of respective nominal interest according to the bond term is treated as distribution to the holder of the perpetual capital instrument.

## 21 Trade and other payables

| | 30 June 2020 RMB'000 | 31 December 2019 RMB'000 |
|---|---|---|
| Non-current – | | |
| Other payables | **354,419** | 145,727 |
| Current – | | |
| Trade payables (a) | **76,205,362** | 71,706,023 |
| Un-paid considerations for equity transactions | **14,568,660** | 17,760,374 |
| Amounts due to non-controlling interests and their related parties (b) | **9,713,970** | 6,707,954 |
| Dividend payable | **5,726,051** | – |
| Notes payable | **16,142,600** | 11,245,291 |
| Other taxes payable | **4,336,683** | 3,275,245 |
| Interests payable | **4,140,929** | 4,013,493 |
| Payroll and welfare payables | **1,011,054** | 3,126,948 |
| Other payables (c) | **30,782,844** | 29,298,603 |
| | **162,628,153** | 147,133,931 |

Note:

(a) At 30 June 2020, the ageing analysis of the trade payables is performed based on the date of the liability recognition on accrual basis. The ageing analysis of the Group's trade payables is as follows:

| | 30 June 2020 RMB'000 | 31 December 2019 RMB'000 |
|---|---|---|
| Within 90 days | **27,288,858** | 27,549,468 |
| 91-180 days | **9,463,217** | 10,212,645 |
| 181-365 days | **19,082,977** | 15,718,047 |
| Over 365 days | **20,370,310** | 18,225,863 |
| | **76,205,362** | 71,706,023 |

(b) The amounts due to non-controlling interests are unsecured, interest free and repayable on demand.

(c) As at 30 June 2020. other payables mainly included value-added tax relevant to pre-sale of properties amounted to RMB10,622 million (as at 31 December 2019, RMB12,171 million). Beside this, the residual amounts mainly included deposits from customers, deed tax and maintenance funds received on behalf of customers and cash advanced from potential equity investment partners.

## 22 Borrowings

| | **30 June 2020 RMB'000** | 31 December 2019 RMB'000 |
|---|---|---|
| **Non-current** | | |
| Secured, | | |
| – Bank and other institution borrowings | **202,219,851** | 214,090,958 |
| – Senior notes (a) | **48,300,905** | 44,838,865 |
| | **250,520,756** | 258,929,823 |
| Unsecured, | | |
| – Bank and other institution borrowings | **986,704** | 100,000 |
| – Corporate bonds (b) | **15,090,154** | 7,818,085 |
| – Private domestic corporate bonds (c) | **15,273,336** | 16,969,539 |
| | **31,350,194** | 24,887,624 |
| | **281,870,950** | 283,817,447 |
| Less: Current portion of long-term borrowings | **(102,160,970)** | (97,275,345) |
| | **179,709,980** | 186,542,102 |
| **Current** | | |
| Secured, | | |
| – Bank and other institution borrowings | **38,130,514** | 37,847,612 |
| Unsecured, | | |
| – Bank and other institution borrowings | **331,346** | 609,900 |
| | **38,461,860** | 38,457,512 |
| Current portion of long-term borrowings | **102,160,970** | 97,275,345 |
| | **140,622,830** | 135,732,857 |
| Total borrowings | **320,332,810** | 322,274,959 |

## 22 Borrowings *(Continued)*

### (A) SENIOR NOTES

The Company issued senior notes ("Senior Notes") on the Singapore Exchange Securities Trading Limited, payable semi-annually in arrears. As at 30 June 2020, the issue dates, principals and interest rates of the outstanding Senior Notes were shown as below:

| Issue dates | Maturity | Principal USD million | Interest rate |
|---|---|---|---|
| 8 August 2017 | 3 years | 373 | 6.875% |
| 8 August 2017 | 5 years | 600 | 7.95% |
| 19 April 2018 | 3.25 years | 650 | 7.35% |
| 19 April 2018 | 5 years | 443 | 8.35% |
| 27 July 2018 | 2 years | 320 | 8.625% |
| 29 November 2018 | 1.67 years | 350 | 8.625% |
| 15 January 2019 | 2 years | 600 | 8.375% |
| 15 February 2019 | 3 years | 800 | 7.875% |
| 25 March 2019 | 4 years | 200 | 8.35% |
| 11 April 2019 | 4.5 years | 742 | 7.95% |
| 14 June 2019 | 3 years | 600 | 7.25% |
| 1 November 2019 | 4.25 years | 634 | 7.50% |
| 10 January 2020 | 5 years | 531 | 6.50% |
| | | 6,843 | |

According to the terms of the Senior Notes, at any time and from time to time on or after the redemption date, which are set in the first to fourth year after the issue dates, the Company may redeem the Senior Notes, in whole or in part, at a redemption price in range of 101%-108.625% of principal amount plus accrued and unpaid interests, if any, to (but not including) the redemption date.

## 22 Borrowings *(Continued)*

### (B) CORPORATE BONDS

Sunac Real Estate issued corporate bonds (the "Corporate Bonds") on the Shanghai Stock Exchange, payable annually in arrears. The details of the outstanding Corporate Bonds are shown as below:

| Issue dates | Principal RMB'000 | Interest rate | Maturity |
|---|---|---|---|
| 15 August 2015 | 1,178,455 | 6.80% | 5 years |
| 15 August 2015 | 2,500,000 | 5.70% | 5 years |
| 1 September 2015 | 164,740 | 7.50% | 5 years |
| 16 August 2016 | 1,200,000 | 6.50% | 5 years |
| 16 August 2016 | 2,800,000 | 4.00% | 7 years |
| 01 April 2020 | 4,000,000 | 4.78% | 4 years |
| 27 May 2020 | 3,300,000 | 5.60% | 5 years |
| | 15,143,195 | | |

Except for the bond issued on 15 August 2015 with the interest rate of 5.7%, all the other Corporate Bonds are with the issuer's option to raise the coupon rate and the investors' option to sell back the bonds at the end of the second, third or fifth years.

The underwriting fees of the Corporate Bonds were charged at 0.3%~0.6% of the issue size.

The options embedded in the Corporate Bonds were not closely related to the host contracts and were recognised at fair value at the respective issue date and 30 June 2020.

## 22 Borrowings *(Continued)*

### (C) PRIVATE DOMESTIC CORPORATE BONDS

Sunac Real Estate issued private domestic corporate bonds (the "Private Bonds") on Shanghai Stock Exchange and Shenzhen Stock Exchange. The details are shown as below:

| Issue date | Principal amount RMB'000 | Interest rate | Maturity |
|---|---|---|---|
| 22 January 2016 | 5,000,000 | 6.39% | 7 years |
| 7 March 2016 | 3,500,000 | 7.50% | 5 years |
| 13 June 2016 | 2,300,000 | 7.00% | 6 years |
| 5 July 2017 | 1,000,000 | 6.50% | 3 years |
| 11 April 2018 | 500,000 | 9.50% | 3 years |
| 28 August 2018 | 1,000,000 | 7.50% | 3 years |
| 9 September 2018 | 1,010,000 | 7.50% | 3 years |
| 10 June 2020 | 1,000,000 | 6.50% | 3 years |
| | 15,310,000 | | |

Except for the bonds issued in 2017, the bond issued on 11 April 2018 and the bond issued in 2020, all the other Private Bonds are with the issuer's option to raise the coupon rate and the investors' option to sell back the bonds at the end of the first, second, third or fifth years.

The options embedded were not closely related to the host contracts and were recognised at fair value at the issue date and 30 June 2020.

## 22 Borrowings *(Continued)*

**(D)** As at 30 June 2020, RMB289 billion (as at 31 December 2019: RMB297 billion) of the Group's total borrowings were secured or jointly secured by the Group's certain assets, comprised of restricted cash, PUDs, completed properties held for sale, investment properties, PP&E and land used rights, which total amount was RMB253 billion (as at 31 December 2019: RMB267 billion) and equity interests of certain subsidiaries of the Group.

## 23 Expenses by nature

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | **RMB'000** | RMB'000 |
| Costs of properties sold | **54,792,817** | 53,800,566 |
| Staff costs | **2,822,835** | 3,384,685 |
| Advertisement and promotion costs | **1,435,659** | 1,400,209 |
| Depreciation and amortisation | **1,230,113** | 752,018 |
| Net impairment losses for properties | **780,682** | 322,854 |
| Value-added tax surcharges | **364,468** | 658,429 |

## 24 Other income and gains

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | **RMB'000** | RMB'000 |
| Net gain from disposal of joint ventures and associates | **2,741,600** | – |
| Interest income | **2,199,915** | 1,980,436 |
| Net fair value gains on financial assets at FVPL | **710,826** | 274,850 |
| Gains from business combination | **616,384** | 568,622 |
| Net fair value gains on investment properties | **50,699** | 958,925 |
| Fair value gains on derivative financial instruments | **41,371** | – |
| Gains from disposals of subsidiaries | **5,570** | 70,772 |
| Others | **941,658** | 1,335,543 |
| | **7,308,023** | 5,189,148 |

## 25 Other expenses and losses

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | **RMB'000** | RMB'000 |
| Impairment provision for goodwill | **137,394** | – |
| Fair value losses on derivative financial instruments | **70,656** | 50,509 |
| Impairment provision for investment in an associate | **–** | 698,328 |
| Losses on disposals of subsidiaries | **–** | 61,817 |
| Others | **426,907** | 247,841 |
| | **634,957** | 1,058,495 |

## 26 Finance income and expenses

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | **RMB'000** | RMB'000 |
| Interest expenses | **15,178,592** | 11,779,427 |
| Interest expenses for lease liabilities | **31,680** | 33,312 |
| Less: Capitalised finance costs | **(13,669,483)** | (10,726,023) |
| | **1,540,789** | 1,086,716 |
| Exchange loss | **910,802** | 146,552 |
| | **2,451,591** | 1,233,268 |
| Finance income: | | |
| – Interest income on bank deposits | **(861,111)** | (620,088) |
| Net finance expenses | **1,590,480** | 613,180 |

## 27 Income tax expense

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | **RMB'000** | RMB'000 |
| Corporate income tax ("CIT") | | |
| – Current income tax | **6,487,988** | 5,760,833 |
| – Deferred income tax | **(1,401,304)** | (1,860,022) |
| | **5,086,684** | 3,900,811 |
| Land appreciation tax ("LAT") | **2,068,172** | 3,524,955 |
| | **7,154,856** | 7,425,766 |

## 27 Income tax expense *(Continued)*

### (A) CIT

The income tax provision of the Group in respect of operations in the PRC has been calculated at the applicable tax rate of 25% and the estimated assessable profits for the six months ended 30 June 2020 based on existing legislations, interpretations and practices.

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profit for the six months ended 30 June 2020. Taxation on overseas profits has been calculated on the estimated assessable profit for the six months ended 30 June 2020 at the rates of taxation prevailing in the countries or regions in which the Group operates.

Pursuant to the applicable rules and regulations of Cayman Islands and British Virgin Islands ("BVI"), the Company and the BVI subsidiaries of the Group are not subject to any income tax in those jurisdictions.

In accordance with the PRC Corporate Income Tax Law, a 10% withholding income tax is levied on dividends declared to foreign investors from the enterprises with foreign investments established in the PRC. The Group is therefore liable to withholding taxes on dividends distributable by those subsidiaries established in the PRC in respect of their earnings generated from 1 January 2008.

### (B) LAT

PRC LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including lease charges for land use rights and all property development expenditures. LAT is included in the income statement as income tax expense.

## 28 Earnings per share

### (A) BASIC

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted-average number of ordinary shares in issue during the period, excluding shares purchased for the Share Award Scheme (note 19(b)).

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| Profit attributable to owners of the Company (RMB'000) | **10,959,122** | 10,286,306 |
| Weighted-average number of ordinary shares in issue (thousand) | **4,631,211** | 4,424,005 |
| Adjusted for purchase of shares for share award scheme (thousand) | **(91,576)** | (81,018) |
| Weighted-average number of ordinary shares for basic earnings per share (thousand) | **4,539,635** | 4,342,987 |

### (B) DILUTED

Diluted earnings per share is calculated by adjusting the weighted-average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| Profit attributable to owners of the Company (RMB'000) | **10,959,122** | 10,286,306 |
| Weighted-average number of ordinary shares in issue (thousand) | **4,631,211** | 4,424,005 |
| Adjusted for purchase of shares for share award scheme (thousand) | **(91,576)** | (81,018) |
| Adjusted for share options and awarded shares (thousand) | **48,996** | 56,456 |
| Weighted-average number of ordinary shares for diluted earnings per share (thousand) | **4,588,631** | 4,399,443 |

The Company has two categories of dilutive potential ordinary shares:

(i) share options – the number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share) for the same total proceeds is the number of shares issued for no consideration.

(ii) awarded shares – the number of shares granted under the Share Award Scheme less the number of shares that could have been issued at fair value (determined as the average market price per share) for the proceeds equal to unamortised fair value is the number of shares issued for no consideration.

The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share.

## 29 Commitments

### (A) PROPERTY DEVELOPMENT EXPENDITURES AT THE BALANCE SHEET DATE BUT NOT YET INCURRED IS AS FOLLOWS:

| | **30 June 2020 RMB'000** | 31 December 2019 RMB'000 |
|---|---|---|
| Contracted but not provided for | | |
| – PUDs and completed properties held for sale | **141,111,948** | 123,306,975 |
| – PP&E | **8,856,642** | 7,649,631 |
| – Investment properties | **2,119,126** | 2,140,531 |
| – Right-of-use assets | **84,284** | 7,028 |
| | **152,172,000** | 133,104,165 |

### (B) EQUITY INVESTMENTS

| | **30 June 2020 RMB'000** | 31 December 2019 RMB'000 |
|---|---|---|
| Contracted but not provided for | **92,507** | 92,507 |

## 30 Contingent liabilities

### (A) GUARANTEE ON MORTGAGE FACILITIES

The Group had the following contingent liabilities in respect of financial guarantees on mortgage facilities:

| | **30 June 2020 RMB'000** | 31 December 2019 RMB'000 |
|---|---|---|
| Guarantees in respect of mortgage facilities for certain purchasers of the Group's property units | **130,057,051** | 120,496,713 |

The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of (i) the transfer of the real estate ownership certificate to the purchaser which will generally occur within an average period of six months of the properties delivery dates; or (ii) the satisfaction of mortgage loans by the purchasers of the properties.

Pursuant to the terms of the guarantees, upon default of mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principal together with accrued interest and penalties owed by the defaulting purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the date of grant of the mortgage. The Directors consider that the likelihood of default of payments by purchasers is minimal.

In addition, the Group had provided guarantees for certain joint ventures and associates for their borrowings amounted to RMB51.4 billion (31 December 2019: RMB41.78 billion) together with the business partners on pro rata basis.

## 31 Business combination

### (A) ACQUISITIONS OF SUBSIDIARIES

During the six months ended 30 June 2020, business combinations mainly included the acquisitions of interest in property development companies and property management companies. The directors of the Company consider that none of these subsidiaries acquired during the period was significant to the Group and thus the individual financial information of these subsidiaries on the acquisition dates was not disclosed. The acquired companies' principal activities are property development and investment and property management services.

The financial information of these acquired companies on the acquisition dates is summarised as follows:

| | **Total** |
|---|---|
| | RMB'000 |
| Fair value of total interests acquired | 2,061,814 |
| Cash considerations for acquisition of equity interests | 2,341,566 |
| Contingent considerations for acquisition of equity interests | 423,789 |
| Gains from business combination | 616,384 |
| Goodwill from business combination | 1,319,925 |

## 31 Business combination *(Continued)*

**(B)** The fair value of the identifiable assets and liabilities and cash and cash equivalent impact arising from the acquisitions of subsidiaries in the above transactions are summarised as follows:

| | | **Total** |
|---|---|---|
| | | RMB'000 |
| **(1)** | **Fair value of net assets** | |
| | **Non-current assets** | |
| | PP&E | 3,062,986 |
| | Investment properties | 567,479 |
| | Intangible assets | 250,087 |
| | Investments accounted for using the equity method | 47,198 |
| | Right-of-use assets | 726,228 |
| | Prepayment | 6,733 |
| | Deferred tax assets | 549,134 |
| | **Current assets** | |
| | PUDs | 3,925,875 |
| | Inventories | 117,288 |
| | Restricted cash | 3,697 |
| | Cash and cash equivalents | 103,713 |
| | Financial assets at fair value through profit of loss | 226,136 |
| | Other current assets | 788,970 |
| | **Non-current liabilities** | |
| | Borrowings | (288,858) |
| | Other non-current liabilities | (74,582) |
| | **Current liabilities** | |
| | Borrowings | (10,004) |
| | Other current liabilities | (7,111,717) |
| | **Net assets** | 2,890,363 |
| | Less: Non-controlling interests | (828,549) |
| | **Fair value of the net assets acquired** | 2,061,814 |

## 31 Business combination *(Continued)*

**(B)** The fair value of the identifiable assets and liabilities and cash and cash equivalent impact arising from the acquisitions of subsidiaries in the above transactions are summarised as follows: *(Continued)*

**(2) Cash impact**

| | **Total** |
|---|---|
| | RMB'000 |
| Consideration settled by cash in current period | (1,873,856) |
| Cash and cash equivalents in the subsidiaries acquired | 103,713 |
| Net cash impact on business combination | (1,770,143) |

**(C)** The amounts of revenue and profit or loss of these new acquired subsidiaries since the acquisition date include in the consolidated statement of comprehensive income for this reporting period are summarised as follows:

| | **Total** |
|---|---|
| | RMB'000 |
| Revenue | 144,770 |
| Net gains | 7,611 |

If the acquisition date for all business combinations that occurred during six months ended 30 June 2020 had been as of the beginning of this interim reporting period, the Group's consolidated revenue and consolidated profit for six months ended 30 June 2020 would have been RMB77,670 million and RMB11,733 million respectively.

## 32 Disposal of subsidiaries

**(A)** The financial impacts arising from the disposals are summarised as follows:

| | **Total** |
|---|---|
| | RMB'000 |
| Cash considerations received or receivable | 39,000 |
| Less: Carrying value of the disposed subsidiary | (33,430) |
| Gains on disposals | 5,570 |

## 32 Disposal of subsidiaries *(Continued)*

**(B)** The carrying values of the net assets owned by the Group as at the disposal dates are summarised as follows:

| | **Total** |
|---|---|
| | RMB'000 |
| **Non-current assets** | |
| PP&E | 2,415 |
| Investment properties | 40,517 |
| Deferred tax assets | 29,409 |
| **Current assets** | |
| PUDs | 3,734 |
| Completed properties held for sale | 46,172 |
| Restricted cash | 975 |
| Cash and cash equivalents | 9,929 |
| Other current assets | 62,382 |
| **Non-current liabilities** | (2,392) |
| **Current liabilities** | (154,912) |
| **Net assets** | 38,229 |
| Less: Non-controlling interests | (4,799) |
| Carrying value of the equity owned by the Group | 33,430 |

**(C)** The cash impact arising from the disposals in above transactions are summarised as follows:

| | **Total** |
|---|---|
| | RMB'000 |
| Cash consideration received as of 30 June 2020 | 39,000 |
| Cash of the subsidiaries disposed | (9,929) |
| Net cash impact | 29,071 |

## 33 Related party transactions

### (A) TRANSACTIONS WITH RELATED PARTIES

In addition to the related party information disclosed elsewhere in the condensed consolidated interim financial information, the Group had the following significant transactions entered into the ordinary course of business between the Group and the related parties:

**(i) Cash (paid to)/received from related parties**

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | **RMB'000** | RMB'000 |
| Cash paid to joint ventures and associates | **(64,532,260)** | (70,979,127) |
| Cash received from joint ventures and associates | **65,151,673** | 88,096,825 |
| | **619,413** | 17,117,698 |

**(ii) Rendering of services and interest income**

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| **Nature of transaction** | **RMB'000** | RMB'000 |
| Joint ventures: | | |
| – Interest income | **1,896,758** | 1,700,241 |
| – Fitting and decoration services | **952,386** | 733,161 |
| – Property management services | **356,530** | 284,737 |
| Associates | | |
| – Interest income | **91,959** | 194,370 |
| – Fitting and decoration services | **63,567** | 89,842 |
| – Property management services | **11,041** | – |

Property management fee and Fitting and decoration income are charged at rates in accordance with respective contracts.

## 33 Related party transactions *(Continued)*

### (B) COMPENSATION OF KEY MANAGEMENT PERSONNEL

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | **RMB'000** | RMB'000 |
| Salaries and other short-term benefits | **43,945** | 50,036 |
| Share option scheme | **–** | 11,176 |
| Share award scheme | **169,788** | 142,653 |
| | **213,733** | 203,865 |

### (C) RELATED PARTIES BALANCES

| | **30 June 2020** | 31 December 2019 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Amounts due from joint ventures | | |
| – Interest free | **29,155,059** | 25,193,424 |
| – Interest bearing | **5,501,734** | 4,062,567 |
| – Interest receivable | **1,075,224** | 4,285,679 |
| – Trade receivable | **1,138,398** | 701,463 |
| | **36,870,415** | 34,243,133 |
| Less: Loss allowance | **(34,589)** | (38,519) |
| | **36,835,826** | 34,204,614 |
| Amounts due from associates | | |
| – Interest free | **1,864,331** | 3,832,612 |
| – Interest bearing | **679,369** | 8,994,240 |
| – Interest receivable | **127,846** | 540,755 |
| – Trade receivable | **73,091** | 27,150 |
| | **2,744,637** | 13,394,757 |
| Less: Loss allowance | **(3,930)** | (6,740,778) |
| | **2,740,707** | 6,653,979 |
| Amounts due to joint ventures | **53,061,549** | 55,438,461 |
| Amounts due to associates | **4,988,266** | 3,495,534 |
| | **58,049,815** | 58,933,995 |

## 33 Related party transactions *(Continued)*

### (C) RELATED PARTIES BALANCES *(Continued)*

The amounts due from joint ventures and associates have no fixed repayment date, bearing interest rate at 3.52% to 16% per annum for the six months ended 30 June 2020.

The amounts due to joint ventures and associates are unsecured, interest-free and repayable on demand.

## 34 Dividends

No interim dividend for the six months ended 30 June 2020 was proposed by the Board (Six months ended 30 June 2019: Nil).

## 35 Events after the balance sheet date

### (A) ISSUANCE OF SENIOR NOTES

On 9 July 2020, the Company issued US$1,000 million senior notes, including US$600 million senior notes due 2023 (the July 2023 Notes) and US$400 million senior notes due 2025 (the July 2025 Notes) on the Singapore Exchange Securities Trading Limited ("SEST"). The July 2023 Notes bear interest from and including 9 July 2020 at the rate of 6.5% per annum, payable semi-annually in arrears on 9 January and 9 July of each year, commencing on 9 January 2021. The July 2025 Notes bear interest from and including 9 July 2020 at the rate of 7.0% per annum, payable semi-annually in arrears on 9 January and 9 July of each year, commencing on 9 January 2021.

On 3 August 2020, the Company issued US$500 million senior notes due 2024 on the SEST. The senior notes bear interest from and including 3 August 2020 at the rate of 6.65% per annum, payable semi-annually in arrears on 3 February and 3 August of each year, commencing on 3 February 2021.

### (B) SPIN-OFF AND SEPARATE LISTING OF SUNAC SERVICE HOLDING LIMITED ("SUNAC SERVICE")

The Company proposes to spin-off and separately list the shares of Sunac Services, a subsidiary of the Company, on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") by way of a global offering and distribution in specie of a minor portion of the ordinary shares in the share capital of Sunac Services ("Shares of Sunac Services") to the shareholders of the Company.

On 6 August 2020, Sunac Services submitted a listing application form to the Stock Exchange to apply for the listing of, and permission to deal in, the Shares of Sunac Services on the Main Board of the Stock Exchange. As at the report date, the Company has 100% interests in Sunac Services. It is intended that upon completion of the proposed spin-off and the listing the Company will have an interest of not less than 50% in Sunac Services and Sunac Services will remain as a subsidiary of the Company.

# INDEPENDENT AUDITOR'S REPORT

pwc 羅兵咸永道

**To the Shareholders of Sunac China Holdings Limited**
(incorporated in the Cayman Islands with limited liability)

## Opinion

### WHAT WE HAVE AUDITED

The consolidated financial statements of Sunac China Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 108 to 232, which comprise:

- the consolidated balance sheet as at 31 December 2019;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

### OUR OPINION

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### INDEPENDENCE

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

*PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong*
*T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Assessment of net realisable value of properties under development and completed properties held for sale
- Valuation of investment properties

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|---|
| **Assessment of net realisable value of properties under development and completed properties held for sale** | |
| Refer to note 2.15 of accounting policy of properties under development, note 2.16 of accounting policy of completed properties held for sale, note 6(C) of critical accounting estimates and judgements, note 15 of properties under development and note 16 of completed properties held for sale to the consolidated financial statements.<br><br>At 31 December 2019, properties under development ("PUD") and completed properties held for sale ("PHS") totalled RMB481,973 million and accounted for approximately 50% of the Group's total assets. PUD and PHS are stated at the lower of cost and net realisable value with accumulated provision of losses on realisable value amounted to RMB2,008 million as at 31 December 2019.<br><br>We identified the net realisable value assessment of the Group's PUD and PHS as a key audit matter because the determination of net realisable values of PUD and PHS involved critical accounting estimates on the selling price, variable selling expenses and estimated costs to completion of PUD. | We have performed the following procedures to address this key audit matter:<br><br>• We understood, evaluated and tested the internal control over the Group's process in determining the costs to completion of PUD;<br><br>• We compared the actual selling price in current year of relevant PUD and PHS, on a sample basis, against the result of management's net realisable value assessment made in the prior year to consider, with hindsight, whether management's net realisable value assessment estimation process had been subject to management bias;<br><br>• We obtained management's net realisable value assessment on PUD and PHS and performed the following audit procedures:<br><br>(i) Estimated selling price which is based on the prevailing market conditions, we compared the estimated selling price, on a sample basis, to the recent market transactions by making reference to the Group's selling price of the pre-sale units in the same project or the prevailing market price of the comparable properties with similar type, size and location; |

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|---|
| **Assessment of net realisable value of properties under development and completed properties held for sale (continued)** | |
| | (ii) Estimated variable selling expenses as a percentage of the related estimated selling price of the properties, we compared the above estimated percentage with the actual average selling expenses to revenue ratio of the Group in recent year; and<br><br>(iii) Estimated costs to completion for PUD, we reconciled the estimated costs to completion to the budgets approved by management and examined, on a sample basis, the signed construction contracts or compared the anticipated completion costs to the actual costs of similar type of completed properties of the Group.<br><br>We found the data used and the key estimations adopted by management were consistent with the evidence we obtained. |
| **Valuation of investment properties** | |
| Refer to note 2.8 of accounting policy of investment properties, note 6(D) of critical accounting estimates and judgements and note 9 of investment properties to the consolidated financial statements.<br><br>As at 31 December 2019, the Group's investment properties were measured at fair value of RMB26,845 million, with fair value gains of RMB1,235 million recorded in the consolidated statement of comprehensive income for the year then ended. The Group's investment property portfolio comprises completed properties and properties under development in mainland China. | We have performed the following procedures to address this key audit matter:<br><br>• We evaluated the independent external valuers' competence, capabilities and objectivity;<br><br>• We involved our in-house valuation experts to assess the appropriateness of the valuation models adopted, and to challenge the reasonableness of the key inputs and assumptions by comparing the capitalisation rates and discount rates to comparable market transactions for similar properties, and comparing the developer's profit rates to historical records based on relevant market data where appropriate; |

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|---|
| **Valuation of investment properties (continued)** | |
| The valuation techniques mainly include income capitalisation approach, discounted cash flow approach and residual approach based on the operation model and construction status of each property. The inputs adopted mainly include market rental prices, profit rates, capitalisation rates and discount rates. Furthermore, residual approach also involves inputs of developer's profit rates and estimated costs to completion.<br><br>Independent valuers were engaged by the Group for the whole property portfolio in order to support management's estimates.<br><br>We identified the valuation of investment properties as a key audit matter because the valuation of investment properties involved significant judgements and estimates, which mainly included the determination of valuation techniques and the selection of inputs accordingly. | • We checked and tested, on a sample basis, the accuracy and relevance of the input data used, including the market rental prices and profit rate, by comparing with the current rental contracts of the Group and market data of comparable properties. For the estimated costs to completion, we checked to the construction budget approved by management and examined, on a sample basis, the signed construction contracts or compared the anticipated completion costs to the actual costs of historical information of similar properties of the Group; and<br><br>• We also checked the mathematical accuracy of the valuation calculations and the underlying data used in the calculations.<br><br>We found that the data used and key assumptions in the valuations were supported by the available evidence. |

## Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee are responsible for overseeing the Group's financial reporting process.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lo Kai Leung, Thomas.

**PricewaterhouseCoopers**
Certified Public Accountants

Hong Kong, 26 March 2020

# CONSOLIDATED BALANCE SHEET

| | Note | As at 31 December 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 8 | **70,101,779** | 49,224,305 |
| Investment properties | 9 | **26,845,510** | 16,195,739 |
| Right-of-use assets | 10 | **14,918,041** | — |
| Intangible assets | 11 | **7,667,411** | — |
| Land use rights and intangible assets | 11 | — | 16,020,807 |
| Deferred tax assets | 13 | **8,585,312** | 2,984,740 |
| Investments accounted for using the equity method | 12 | **88,994,292** | 65,496,826 |
| Financial assets at fair value through profit or loss | 14 | **15,588,783** | 9,872,592 |
| Receivables | 17 | **48,000** | 558,000 |
| Prepayments | 18 | **3,018,098** | 2,276,912 |
| Derivative financial instruments | 28 | **31,629** | 125,817 |
| Amounts due from related companies | 45(D) | **170,000** | 666,452 |
| | | **235,968,855** | 163,422,190 |
| **Current assets** | | | |
| Properties under development | 15 | **426,783,378** | 291,913,575 |
| Completed properties held for sale | 16 | **55,189,210** | 47,336,265 |
| Inventories | | **490,307** | 14,967 |
| Trade and other receivables | 17 | **47,154,324** | 27,392,266 |
| Contract assets | 7 | **2,059,897** | 932,328 |
| Derivative financial instruments | 28 | — | 153,507 |
| Amounts due from related companies | 45(D) | **40,688,593** | 48,299,169 |
| Prepayments | 18 | **14,662,840** | 10,414,376 |
| Prepaid income tax | | **7,320,149** | 6,449,795 |
| Restricted cash | 19 | **47,787,028** | 44,017,011 |
| Cash and cash equivalents | 20 | **77,943,661** | 76,181,041 |
| Assets classified as held for sale | 21 | **4,401,000** | — |
| Financial assets at fair value through profit or loss | 14 | **200,000** | 133,500 |
| | | **724,680,387** | 553,237,800 |
| **Total assets** | | **960,649,242** | 716,659,990 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity attributable to owners of the Company** | | | |
| Share capital | 22 | **382,339** | 378,421 |
| Other reserves | 24 | **17,510,617** | 14,259,603 |
| Retained earnings | | **65,180,292** | 42,198,205 |
| | | **83,073,248** | 56,836,229 |
| Perpetual capital securities | 25 | **2,789,505** | 5,526,772 |
| Other non-controlling interests | | **28,231,491** | 10,743,568 |
| **Total equity** | | **114,094,244** | 73,106,569 |

| | Note | As at 31 December 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|---|
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Borrowings | 27 | **186,542,102** | 137,363,520 |
| Derivative financial instruments | 28 | **14,358** | 79,509 |
| Lease liabilities | 10 | **436,848** | — |
| Deferred tax liabilities | 13 | **38,534,748** | 33,383,440 |
| Other payables | 26 | **145,727** | 1,474,373 |
| | | **225,673,783** | 172,300,842 |
| **Current liabilities** | | | |
| Trade and other payables | 26 | **147,133,931** | 92,786,353 |
| Contract liabilities | 7 | **240,818,329** | 199,378,610 |
| Amounts due to related companies | 45(D) | **58,933,995** | 62,663,166 |
| Current tax liabilities | | **37,323,267** | 23,753,921 |
| Borrowings | 27 | **135,732,857** | 92,045,543 |
| Lease liabilities | 10 | **176,499** | — |
| Derivative financial instruments | 28 | — | 14,017 |
| Provisions | 29 | **762,337** | 610,969 |
| | | **620,881,215** | 471,252,579 |
| **Total liabilities** | | **846,554,998** | 643,553,421 |
| **Total equity and liabilities** | | **960,649,242** | 716,659,990 |

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

The financial statements on pages 108 to 232 were approved by the Board of Directors on 26 March 2020 and were signed on its behalf.

**Sun Hongbin**
*Director*

**Wang Mengde**
*Director*

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Note | Year ended 31 December | |
|---|---|---|---|
| | | **2019** | 2018 |
| | | **RMB'000** | RMB'000 |
| Revenue | 7 | **169,316,010** | 124,745,623 |
| Cost of sales | 30 | **(127,909,685)** | (93,609,587) |
| **Gross profit** | | **41,406,325** | 31,136,036 |
| Other income and gains | 32 | **14,187,962** | 11,848,091 |
| Selling and marketing costs | 30 | **(6,166,473)** | (4,360,530) |
| Administrative expenses | 30 | **(8,286,551)** | (7,356,570) |
| Other expenses and losses | 33 | **(1,222,133)** | (1,986,111) |
| Net impairment losses on financial and contract assets | 30 | **(1,894,122)** | (3,485,395) |
| **Operating profit** | | **38,025,008** | 25,795,521 |
| Finance income | 34 | **1,183,244** | 806,208 |
| Finance expenses | 34 | **(4,808,250)** | (2,893,493) |
| Finance expenses – net | 34 | **(3,625,006)** | (2,087,285) |
| Share of post-tax profits of associates and joint ventures accounted for using the equity method, net | 12 | **8,146,321** | 4,955,994 |
| **Profit before income tax** | | **42,546,323** | 28,664,230 |
| Income tax expense | 35 | **(14,390,265)** | (11,219,229) |
| **Profit for the year** | | **28,156,058** | 17,445,001 |
| **Other comprehensive income for the year** | | **—** | — |
| **Total comprehensive income for the year** | | **28,156,058** | 17,445,001 |
| **Total comprehensive income attributable to:** | | | |
| – Owners of the Company | | **26,027,505** | 16,566,535 |
| – Holders of perpetual capital securities | | **319,010** | 591,179 |
| – Other non-controlling interests | | **1,809,543** | 287,287 |
| | | **28,156,058** | 17,445,001 |
| **Earnings per share attributable to owners of the Company (expressed in RMB per share):** | 36 | | |
| – Basic earnings per share | | **5.99** | 3.79 |
| – Diluted earnings per share | | **5.92** | 3.74 |

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

| | | Attributable to owners of the Company | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Note | Share capital RMB'000 | Other reserves RMB'000 | Retained earnings RMB'000 | Total RMB'000 | Perpetual capital securities RMB'000 | Other non-controlling interests RMB'000 | Total equity RMB'000 |
| **Balance at 1 January 2018** | | 377,608 | 16,649,452 | 26,703,707 | 43,730,767 | 9,288,432 | 7,547,553 | 60,566,752 |
| **Total comprehensive income** | | — | — | 16,566,535 | 16,566,535 | 591,179 | 287,287 | 17,445,001 |
| **Transactions with owners, recognised directly in equity** | | | | | | | | |
| Non-controlling interests arising on business combination | | — | — | — | — | — | 2,552,901 | 2,552,901 |
| Capital contributions from non-controlling interests | | — | — | — | — | — | 568,143 | 568,143 |
| Disposal of subsidiaries | | — | — | — | — | — | 10,280 | 10,280 |
| Transactions with non-controlling interests | | — | (129,860) | — | (129,860) | — | (30,596) | (160,456) |
| Dividends to non-controlling interests | | — | — | — | — | — | (192,000) | (192,000) |
| Issue of perpetual capital securities | | — | — | — | — | 340,600 | — | 340,600 |
| Redemption of perpetual capital securities | | — | — | — | — | (4,017,800) | — | (4,017,800) |
| Distributions to holders of perpetual capital securities | | — | — | — | — | (675,639) | — | (675,639) |
| Employees share option schemes: | | | | | | | | |
| – Value of employee services | 24 | — | 291,035 | — | 291,035 | — | — | 291,035 |
| – Proceeds from shares issued | 22,24 | 813 | 42,277 | — | 43,090 | — | — | 43,090 |
| Purchase of shares for share award scheme | 24 | — | (1,464,565) | — | (1,464,565) | — | — | (1,464,565) |
| Statutory reserve | | — | 1,072,037 | (1,072,037) | — | — | — | — |
| Dividends relating to 2017 | | — | (2,200,773) | — | (2,200,773) | — | — | (2,200,773) |
| | | 813 | (2,389,849) | (1,072,037) | (3,461,073) | (4,352,839) | 2,908,728 | (4,905,184) |
| **Balance at 31 December 2018** | | 378,421 | 14,259,603 | 42,198,205 | 56,836,229 | 5,526,772 | 10,743,568 | 73,106,569 |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Note | Attributable to owners of the Company | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Share capital RMB'000 | Other reserves RMB'000 | Retained earnings RMB'000 | Total RMB'000 | Perpetual capital securities RMB'000 | Other non-controlling interests RMB'000 | Total equity RMB'000 |
| **Balance at 1 January 2019** | | 378,421 | 14,259,603 | 42,198,205 | 56,836,229 | 5,526,772 | 10,743,568 | 73,106,569 |
| **Total comprehensive income** | | — | — | 26,027,505 | 26,027,505 | 319,010 | 1,809,543 | 28,156,058 |
| **Transactions with owners, recognised directly in equity** | | | | | | | | |
| Non-controlling interests arising on business combination | 43(B) | — | — | — | — | — | 10,594,924 | 10,594,924 |
| Capital contributions from non-controlling interests | | — | — | — | — | — | 11,407,094 | 11,407,094 |
| Disposal of subsidiaries | 44 | — | — | — | — | — | (11,974) | (11,974) |
| Transactions with non-controlling interests | 42 | — | 3,526,449 | — | 3,526,449 | — | (6,034,941) | (2,508,492) |
| Capital deduction of a subsidiary | | — | — | — | — | — | (180,000) | (180,000) |
| Dividends to non-controlling interests | | — | — | — | — | — | (96,723) | (96,723) |
| Redemption of perpetual capital securities | 25 | — | — | — | — | (2,680,300) | — | (2,680,300) |
| Distributions to holders of perpetual capital securities | 25 | — | — | — | — | (375,977) | — | (375,977) |
| Employees share option schemes: | | | | | | | | |
| – Value of employee services | 24 | — | 117,021 | — | 117,021 | — | — | 117,021 |
| – Proceeds from shares issued | 22,24 | 3,918 | 462,104 | — | 466,022 | — | — | 466,022 |
| Share award scheme: | | | | | | | | |
| – Value of employee services | 24 | — | 460,966 | — | 460,966 | — | — | 460,966 |
| Purchase of shares for share award scheme | 24 | — | (716,306) | — | (716,306) | — | — | (716,306) |
| Statutory reserve | | — | 3,045,418 | (3,045,418) | — | — | — | — |
| Dividends relating to 2018 | 46 | — | (3,644,638) | — | (3,644,638) | — | — | (3,644,638) |
| | | 3,918 | 3,251,014 | (3,045,418) | 209,514 | (3,056,277) | 15,678,380 | 12,831,617 |
| **Balance at 31 December 2019** | | 382,339 | 17,510,617 | 65,180,292 | 83,073,248 | 2,789,505 | 28,231,491 | 114,094,244 |

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

| | Note | Year ended 31 December 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | 37 | **40,457,467** | 63,249,311 |
| Income tax paid | | **(13,203,415)** | (11,194,605) |
| **Net cash generated from operating activities** | | **27,254,052** | 52,054,706 |
| **Cash flows from investing activities** | | | |
| Payments for business combinations, net | 43 | **(12,212,797)** | (4,272,673) |
| Disposal of subsidiaries | 44 | **(402,357)** | (1,738,404) |
| Proceeds from disposal of or capital deduction of joint ventures and associates | | **2,259,274** | 3,172,766 |
| Payments for equity transactions | | **(9,441,205)** | (6,162,230) |
| Cash advance received from equity investment partners | | **66,282** | 6,899,936 |
| Investments in joint ventures and associates | | **(31,258,905)** | (9,745,498) |
| Dividend received from joint ventures and associates | | **778,305** | 440,334 |
| Loans granted to joint ventures and associates | | **(5,329,306)** | (16,342,608) |
| Loan repayments received from joint ventures and associates | | **16,285,785** | 10,339,019 |
| Loan repayments received from equity investment partners | | **—** | 398,075 |
| Payments for financial assets at fair value through profit or loss ("FVPL") | | **(6,891,818)** | (5,575,640) |
| Purchases of property, plant and equipment ("PP&E"), land use rights, intangible assets and investment properties | | **(18,574,519)** | (13,639,331) |
| Proceeds from redemption of financial assets at FVPL | | **198,637** | 340,000 |
| Interests received | | **2,313,343** | 1,764,897 |
| Others | | **208,313** | 42,493 |
| **Net cash used in investing activities** | | **(62,000,968)** | (34,078,864) |

# CONSOLIDATED STATEMENT OF CASH FLOWS

| | Note | Year ended 31 December | |
|---|---|---|---|
| | | **2019** | 2018 |
| | | **RMB'000** | RMB'000 |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of ordinary shares | | **466,022** | 43,090 |
| Proceeds paid for purchase of shares for share award scheme | | **(716,306)** | (1,464,565) |
| Proceeds from issuance of perpetual capital securities | | **—** | 340,600 |
| Redemption of perpetual capital securities | | **(2,680,300)** | (4,017,800) |
| Proceeds from borrowings | | **240,740,649** | 118,691,208 |
| Repayments of borrowings | | **(164,207,962)** | (106,354,120) |
| Proceeds from/(payments for) derivative financial instruments | | **24,730** | (59,762) |
| Distribution paid to holders of perpetual capital securities | | **(375,977)** | (675,639) |
| Dividends paid to Company's shareholders | | **(3,644,638)** | (2,200,773) |
| Dividends or deemed distribution paid to non-controlling interests | | **(1,171,976)** | (2,299,176) |
| Loans from non-controlling interests | | **2,460,271** | 2,495,256 |
| Loans repayments to non-controlling interests | | **(2,179,974)** | (1,813,953) |
| Proceeds payments for transaction with non-controlling interests | | **(2,508,492)** | (56,418) |
| Restricted cash guaranteed for bank borrowings | | **(7,585,268)** | (130,723) |
| Contribution from non-controlling interests | | **1,778,586** | 565,142 |
| Principal elements of lease payments | | **(120,353)** | — |
| Interest paid | | **(23,885,645)** | (13,489,256) |
| **Net cash generated from/(used in) financing activities** | | **36,393,367** | (10,426,889) |
| **Net increase in cash and cash equivalents** | | **1,646,451** | 7,548,953 |
| Cash and cash equivalents at beginning of year | | **76,181,041** | 68,433,256 |
| Effects of exchange difference | | **116,169** | 198,832 |
| **Cash and cash equivalents at end of year** | 20 | **77,943,661** | 76,181,041 |

The above consolidated statement of cash flows should be read in conjunction with the accompany notes.

## 1 General information

Sunac China Holdings Limited (the "Company") and its subsidiaries (together, the "Group") are principally engaged in the businesses of property development and investment, cultural and tourism city construction and operation and property management services in the People's Republic of China (the "PRC").

The Company is a limited liability company incorporated in Cayman Islands. The address of its registered office is 190 Elgin Avenue, George Town, Grand Cayman KY1- 9005, Cayman Islands.

The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

These financial statements are presented in Renminbi ("RMB"), unless otherwise stated.

## 2 Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of the Company and its subsidiaries.

### 2.1 BASIS OF PREPARATION

**(i) Compliance with HKFRS and HKCO**

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and requirements of the Hong Kong Companies Ordinance Cap. 622.

**(ii) Historical cost convention**

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss, derivative financial instruments and investment properties that are measured at fair value.

**(iii) New and amended standards adopted by the Group**

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019:

- HKFRS 16 *Leases*
- *Prepayment Features with Negative Compensation – Amendments to* HKFRS 9
- *Long-term Interests in Associates and Joint Ventures – Amendments to* HKAS 28

## 2 Summary of significant accounting policies *(Continued)*

### 2.1 BASIS OF PREPARATION *(Continued)*

**(iii) New and amended standards adopted by the Group** *(Continued)*

- *Annual Improvements to HKFRS Standards 2015 – 2017 Cycle*
- *Plan Amendment, Curtailment or Settlement – Amendments to* HKAS 19
- *Interpretation 23 Uncertainty over Income Tax Treatments*

The Group had to change its accounting policies as a result of adopting HKFRS 16 and elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 January 2019. This is disclosed in note 3. Most of the other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

The Group also elected to early adopt the *amendments* to HKFRS 3 *Definition of a Business* which issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The amendments are effective for the financial year beginning or after 1 January 2020. This improvement to HKFRS 3 sets out an optional test (the concentration test) to permit a simplified assessment of whether an acquired set of activities and assets is a business or not. On adoption of the amendments, the Group elected to apply the concentration test to assess certain acquisition transactions occurred in 2019 individually. The acquisition transaction would be accounted for as asset acquisitions if the concentration test was met. As permitted by HKFRS 3, this application was prospectively from 1 January 2019 and there was no impact on the amounts recognised in prior periods.

**(iv) New standards and interpretations not yet adopted**

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

| | Effective for the financial year beginning on or after |
|---|---|
| *Definition of Material – Amendments to* HKAS 1 *and* HKAS 8 | 1 January 2020 |
| *Classification of liabilities as current or non-current – Amendments to* HKAS 1 | 1 January 2020 |
| Revised *Conceptual framework for financial reporting* | 1 January 2020 |
| HKFRS 17 *Insurance contracts* | 1 January 2021 |

## 2 Summary of significant accounting policies *(Continued)*

### 2.2 PRINCIPLES OF CONSOLIDATION AND EQUITY ACCOUNTING

**(i) Subsidiaries**

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet respectively.

**(ii) Associates**

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (iv) below), after initially being recognised at cost.

**(iii) Joint arrangements**

The Group has applied HKFRS 11 *Joint Arrangements* to all joint arrangements. Under HKFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Interests in joint ventures are accounted for using the equity method (see (iv) below), after initially being recognised at cost in the consolidated balance sheet.

## 2 Summary of significant accounting policies *(Continued)*

### 2.2 PRINCIPLES OF CONSOLIDATION AND EQUITY ACCOUNTING *(Continued)*

**(iv) Equity method**

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. The Group's investments in associates and joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an equity-accounted investment, any difference between the cost of the equity-accounted investment and the Group's share of the net fair value of the equity-accounted investment's identifiable assets and liabilities is accounted for as goodwill. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 2.10.

**(v) Changes in ownership interests**

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

## 2 Summary of significant accounting policies *(Continued)*

### 2.3 BUSINESS COMBINATIONS

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or as a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

## 2 Summary of significant accounting policies *(Continued)*

### 2.4 SEPARATE FINANCIAL STATEMENTS

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

### 2.5 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that makes strategic decisions.

### 2.6 FOREIGN CURRENCY TRANSLATION

**(i) Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in RMB, which is the Company's functional and presentation currency.

**(ii) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of profit or loss, within 'finance expenses – net'. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other income or other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

## 2 Summary of significant accounting policies *(Continued)*

### 2.6 FOREIGN CURRENCY TRANSLATION *(Continued)*

**(iii) Group companies**

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

### 2.7 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

## 2 Summary of significant accounting policies *(Continued)*

### 2.7 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values over their estimated useful lives or, in the case of leasehold improvements, the shorter lease term as follows:

| | |
|---|---|
| Buildings and equipment | 29 – 40 years |
| Vehicles | 5 years |
| Furniture and office equipment | 5 – 10 years |
| Leasehold improvements | Shorter of 5 years or the lease periods |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

### 2.8 INVESTMENT PROPERTIES

Investment properties, principally freehold office buildings, shopping malls and commercial properties are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases are classified and accounted for as investment properties when the rest of the definition of investment properties are met. Investment properties are initially measured at cost including related transaction costs and where applicable borrowing cost.

After initial recognition, investment properties are carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any differences in the nature, location or condition of the specific asset. If such information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections.

Properties that are being constructed or developed as investment properties are carried at fair value. Where fair value is not reliably determinable, such investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is completed (wherever is earlier).

The fair value of investment properties reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market condition.

Changes in fair values are presented in profit or loss as part of other income or other expense.

## 2 Summary of significant accounting policies *(Continued)*

### 2.9 INTANGIBLE ASSETS

**(i) Goodwill**

Goodwill is measured as described in note 2.10. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units ("CGUs") for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

**(ii) Trademark**

Trademark is carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method over the shorter of budgeted useful lives and contractually useful lives.

**(iii) Software**

Acquired computer software programmes are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful lives of 5 to 10 years on a straight-line basis.

Accounting policies applied until 31 December 2018

*Land use right*

All land in the PRC is state-owned and no individual land ownership right exists. The Group acquired the rights to use certain land and the premiums paid for such rights are recorded as land use rights.

Land use rights that are held for development for sale are inventories and measured at lower of cost and net realisable value. Land use rights that are held for self-use are stated at cost and amortised over the use terms using straight-line method.

## 2 Summary of significant accounting policies *(Continued)*

### 2.10 IMPAIRMENT OF NON-FINANCIAL ASSETS

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

### 2.11 INVESTMENTS AND OTHER FINANCIAL ASSETS

**(i) Classification**

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

**(ii) Recognition and derecognition**

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

## 2 Summary of significant accounting policies *(Continued)*

### 2.11 INVESTMENTS AND OTHER FINANCIAL ASSETS *(Continued)*

**(iii) Measurement**

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

## 2 Summary of significant accounting policies *(Continued)*

### 2.11 INVESTMENTS AND OTHER FINANCIAL ASSETS *(Continued)*

**(iii) Measurement** *(Continued)*

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

**(iv) Impairment**

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For contract assets and trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

### 2.12 OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and the net amount reported in the balance sheet where the Company currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Company has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

### 2.13 FINANCIAL GUARANTEE CONTRACTS

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of

- the amount determined in accordance with the expected credit loss model under HKFRS 9 *Financial Instruments* and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 *Revenue from Contracts with Customers*.

## 2 Summary of significant accounting policies *(Continued)*

### 2.13 FINANCIAL GUARANTEE CONTRACTS *(Continued)*

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

### 2.14 DERIVATIVES AND HEDGING ACTIVITIES

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group enters into certain derivative instruments which do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in other income or other expenses.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

### 2.15 PROPERTIES UNDER DEVELOPMENT ("PUD")

Properties under development are stated at the lower of cost and net realisable value. Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and anticipated cost to completion.

Development cost of property comprises construction costs, land use rights cost, capitalised borrowing costs and professional fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale.

### 2.16 COMPLETED PROPERTIES HELD FOR SALE ("CPHFS")

Completed properties remaining unsold as at the balance sheet dates are stated at the lower of cost and net realisable value.

Cost comprises development costs attributable to the unsold properties.

Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing marketing conditions.

## 2 Summary of significant accounting policies *(Continued)*

### 2.17 INVENTORIES

Inventories are stated at the lower of cost or net realisable value. Cost, being cost of purchase, is determined on a weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

### 2.18 TRADE RECEIVABLES

Trade receivables are amounts due from customers for properties sold or services performed in the ordinary course of business. If collection of trade receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See note 17 for further information about the Group's accounting for trade receivables and note 2.11 for a description of the Group's impairment policies.

### 2.19 CASH AND CASH EQUIVALENTS

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### 2.20 SHARE CAPITAL AND SHARES HELD FOR EMPLOYEE SHARE SCHEME

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of the Company as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of the Company.

Shares held by the Company are disclosed as treasury shares and deducted from contributed equity.

## 2 Summary of significant accounting policies *(Continued)*

### 2.21 PERPETUAL CAPITAL INSTRUMENTS

Perpetual capital instruments with no contracted obligation to repay its principal or to pay any distribution are classified as part of equity.

### 2.22 TRADE AND OTHER PAYABLES

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

### 2.23 BORROWINGS

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

## 2 Summary of significant accounting policies *(Continued)*

### 2.24 BORROWING COSTS

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

Borrowing costs include interest expense and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on interest rates on similar borrowings in the entity's functional currency.

When the construction of the qualifying assets takes more than one accounting period, the amount of foreign exchange differences eligible for capitalisation is determined for each annual period and are limited to the difference between the hypothetical interest amount for the functional currency borrowings and the actual interest incurred for foreign currency borrowings.

Foreign exchange differences that did not meet the criteria for capitalisation in previous years should not be capitalised in subsequent years.

### 2.25 CURRENT AND DEFERRED INCOME TAX

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

**Current income tax**

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

## 2 Summary of significant accounting policies *(Continued)*

### 2.25 CURRENT AND DEFERRED INCOME TAX *(Continued)*

**Deferred income tax**

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

## 2 Summary of significant accounting policies *(Continued)*

### 2.26 EMPLOYEE BENEFITS

**(i) Short-term obligations**

Liabilities for wages and salaries that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

**(ii) Retirement benefits**

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the PRC government.

**(iii) Termination benefits**

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

## 2 Summary of significant accounting policies *(Continued)*

### 2.27 SHARE-BASED PAYMENTS

Share-based compensation benefits are provided to employees via the Company's share option schemes and an employee share award scheme. Information relating to these schemes is set out in note 23.

**(i) Employee options**

The fair value of options granted under the Company's employee option schemes is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

– including any market performance conditions (e.g. the entity's share price)

– excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and remaining an employee of the entity over a specified time period), and

– including the impact of any non-vesting conditions (e.g. the requirement for employees to save or holdings shares for a specific period of time).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (and share premium).

**(ii) Share-based payment transactions among Group entities**

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

## 2 Summary of significant accounting policies *(Continued)*

### 2.27 SHARE-BASED PAYMENTS *(Continued)*

**(iii) Employee share award scheme**

Under the employee share award scheme, the Company entrusts the trustee to purchase existing ordinary shares in the open market based on the overall remuneration incentive plan. The trustee will hold such shares on behalf of the relevant selected employees on trust, until such shares are vested with the relevant selected employees in accordance with the scheme rules (see note 2.20).

The fair value of the shares granted to selected employees for nil consideration under the employee share award scheme is recognised as an expense over the relevant service period and the vesting period of the shares. The fair value is measured at the grant date of the shares and is recognised in equity in the share-based payment reserve. The number of shares expected to vest is estimated based on the non-market vesting conditions. The estimates are revised at the end of each reporting period and adjustments are recognised in profit or loss and the share-based payment reserve.

Where shares are forfeited due to a failure by the employee to satisfy the service conditions, any expenses previously recognised in relation to such shares are reversed effective the date of the forfeiture.

### 2.28 PROVISIONS

Provisions for legal claims, onerous contract and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

### 2.29 REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable for the sales of properties and services in the ordinary course of the Group's activities, stated net of discounts, returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

## 2 Summary of significant accounting policies *(Continued)*

### 2.29 REVENUE RECOGNITION *(Continued)*

**(i) Sales of properties**

The Group develops and sells residential and commercial properties. Revenues are recognised when or as the control of the property is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may be transferred over time or at a point in time. Control of the asset is transferred over time if the Group's performance do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract.

For property development and sales contracts for which the control of the property is transferred at a point in time, revenue is recognised when the customer obtains the physical possession or the legal title of the completed property and the Group has present right to payment and the collection of the consideration is probable.

The revenue is measured at the transaction price received or receivable under the contract.

The excess of cumulative revenue recognised in profit or loss over the cumulative billings to purchasers of properties is recognised as contract assets. The contract assets will be reclassified as receivables when the progress billings are issued or properties are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

For contract where the period between the payment by the customer and the transfer of the promised property exceeds one year, the promised amount of consideration is adjusted for the effects of a significant financing component.

**(ii) Rental income**

Rental income from investment properties is recognised in the statement of profit or loss on a straight-line basis over the term of the lease.

**(iii) Service income**

Property management service income is recognised when the services are provided, the total amount of revenue and costs arising from provision of the services can be estimated reliably, and it is probable that the economic benefits associated with the transaction will flow in.

## 2 Summary of significant accounting policies *(Continued)*

### 2.29 REVENUE RECOGNITION *(Continued)*

**(iv) Hotel operations**

Hotel revenue from room rentals, food and beverage sales and other ancillary services are recognised when the services are rendered.

**(v) Theme parks operations**

Revenues from advance theme park ticket sales are recognised when the tickets are used. Revenues from annual or monthly pass sales are recognised ratably over the period for which the pass is available for use.

**(vi) Fitting and decoration services**

Revenues from fitting and decoration services are recognised in the accounting period in which the services are rendered.

### 2.30 EARNINGS PER SHARE

**(i) Basic earnings per share**

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares;
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

**(ii) Diluted earnings per share**

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

## 2 Summary of significant accounting policies *(Continued)*

### 2.31 DIVIDEND INCOME

Dividends are received from financial assets measured at FVPL and at FVOCI. Dividends are recognised as other income in profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment. In this case, the dividend is recognised in OCI if it relates to an investment measured at FVOCI. However, the investment may need to be tested for impairment as a consequence.

### 2.32 LEASES

Upon adopted HKFRS16, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change is disclosed in note 3.

Until 31 December 2018, leases of PP&E where the Group, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases. Finance leases were capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, were included in other short-term and long-term payables. Each lease payment was allocated between the liability and finance cost. The finance cost was charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The PP&E acquired under finance leases was depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases (note 38). Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date

## 2 Summary of significant accounting policies *(Continued)*

### 2.32 LEASES *(Continued)*

- amounts expected to be payable by the group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

## 2 Summary of significant accounting policies *(Continued)*

### 2.32 LEASES *(Continued)*

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Land use rights were reclassified as right-of-use assets since the initial adoption of HKFRS 16 on 1 January 2019. All land in the PRC is state-owned and no individual land ownership right exists. The Group acquired the rights to use certain land and the premiums paid for such rights are recorded as land use rights. Land use rights which are held for development for sale are inventories and measured at lower of cost and net realisable value. Land use rights which are held for self-use are stated at cost and amortised over the use terms using straight-line method with fixed period of 40 years.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term (note 9). Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

### 2.33 DIVIDEND DISTRIBUTION

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

### 2.34 GOVERNMENT GRANTS

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of PP&E are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

## 2 Summary of significant accounting policies *(Continued)*

### 2.35 INTEREST INCOME

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets.

Interest income on financial assets at amortised cost and financial assets at FVOCI calculated using the effective interest method is recognised in the statement of profit or loss as part of other income.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

### 2.36 NON-CURRENT ASSETS HELD FOR SALE

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

## 3 Change in accounting policy

As indicated in note 2.1 above, the Group has adopted HKFRS 16 *Leases* retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed in note 2.32.

## 3 Change in accounting policy *(Continued)*

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 10.03%.

### (I) PRACTICAL EXPEDIENTS APPLIED

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the group relied on its assessment made applying HKAS 17 and Interpretation 4 *Determining whether an Arrangement contains a Lease.*

### (II) MEASUREMENT OF LEASE LIABILITIES

| | 2019<br>RMB'000 |
|---|---|
| Operating lease commitments disclosed as at 31 December 2018 | **336,845** |
| Discounted using the lessee's incremental borrowing rate of at the date of initial application | **275,002** |
| Less: short-term leases not recognised as a liability | **(10,565)** |
| Add: lease contracts effective from 1 January 2019 | **168,725** |
| **Lease liabilities recognised as at 1 January 2019** | **433,162** |
| Of which are: | |
| Current lease liabilities | **151,304** |
| Non-current lease liabilities | **281,858** |
| | **433,162** |

## 3 Change in accounting policy *(Continued)*

### (III) MEASUREMENT OF RIGHT-OF-USE ASSETS

The right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. Land use rights were reclassified as right-of-use assets since the initial adoption of HKFRS 16 on 1 January 2019.

### (IV) ADJUSTMENTS RECOGNISED IN THE BALANCE SHEET ON 1 JANUARY 2019

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- right-of-use assets – increase by RMB10,284.49 million
- land use rights – decrease by RMB9,851.33 million
- lease liabilities – increase by RMB433.16 million.

There is no impact on retained earnings on 1 January 2019 upon applying HKFRS 16.

### (V) LESSOR ACCOUNTING

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of HKFRS 16.

## 4 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

The Group's risk management is predominantly controlled by a central treasury department (Group treasury) under policies approved by the board of directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

## 4 Financial risk management *(Continued)*

### 4.1 FINANCIAL RISK FACTORS

#### (a) Market risk

(i) Foreign exchange risk

The Group's normal operating activities are principally conducted in RMB since all of the operating entities are based in the PRC. The foreign currency balances as at 31 December 2019 were primarily related to bank deposits, borrowings and the senior notes denominated in United States dollar ("USD") and Hong Kong dollar ("HKD").

The Group uses foreign currency option contracts and cross currency swap contracts (the "Foreign Currency Contracts") to hedge certain risk exposures. These Foreign Currency Contracts are related to future repayment of foreign bank borrowing that do not qualify as 'highly probable' forecast transactions and hence do not satisfy the requirements for hedge accounting (economic hedges). These contracts are accounted for as held for trading with gains/(losses) recognised in profit or loss. No hedge accounting is applied on the Foreign Currency Contracts as the time value fair value movement results in an ineffective hedge relationship.

The carrying amount of the Group's foreign currency denominated monetary assets and liabilities are as follows:

| | **31 December 2019 RMB'000** | 31 December 2018 RMB'000 |
|---|---|---|
| Assets | | |
| USD | **1,553,039** | 2,650,538 |
| HKD | **270,825** | 61,616 |
| | **1,823,864** | 2,712,154 |
| Liabilities | | |
| USD | **54,913,113** | 24,613,876 |
| HKD | **3,970,196** | 3,676,208 |
| EUR | — | 332,631 |
| | **58,883,309** | 28,622,715 |

## 4 Financial risk management *(Continued)*

### 4.1 FINANCIAL RISK FACTORS *(Continued)*

#### (a) Market risk *(Continued)*

(i) Foreign exchange risk *(Continued)*

The aggregate net foreign exchange losses recognised in profit or loss were:

| | **2019** | 2018 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Exchange losses on foreign currency borrowing included in finance costs | **878,035** | 1,206,738 |
| Total net foreign exchange losses recognised in profit before income tax for the period | **878,035** | 1,206,738 |

As at 31 December 2019, if RMB had strengthened/weakened by 5% against the HK dollar with all other variables held constant, the post-tax profit for the year would have been RMB176 million higher/lower (2018: RMB172 million higher/lower).

As at 31 December 2019, if RMB had strengthened/weakened by 5% against the US dollar with all other variables held constant, the post-tax profit for the year would have been RMB2,541 million higher/lower (2018: RMB1,046 million higher/lower).

(ii) Cash flow and fair value interest rate risk

The Group's main interest rate risk arises from long-term borrowings and interest-bearing amounts due from related companies. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk which is partially offset by cash held at variable rates. Borrowings issued and amounts due from related companies with fixed rates expose the Group to fair value interest-rate risk. In 2019, the Group's borrowings were denominated in RMB, USD and HKD. (2018: RMB, USD, HKD and EUR).

The Group has implemented certain interest rate swap arrangements to hedge its exposure to interest rate risk. The interest swap contracts do not satisfy the requirements for hedge accounting and are accounted for as held for trading with gains/(losses) recognised in profit or loss.

## 4 Financial risk management *(Continued)*

### 4.1 FINANCIAL RISK FACTORS *(Continued)*

#### (a) Market risk *(Continued)*

(ii) Cash flow and fair value interest rate risk *(Continued)*

The table below sets out the Group's exposure to interest rate risks. Included in the table are the assets and liabilities at carrying amounts, categorised by maturity dates.

| | Floating rates | | | | Fixed rates | | | | Total |
|---|---|---|---|---|---|---|---|---|---|
| RMB' million | Less than 1 year | 1 to 5 years | over 5 years | Sub-total | Less than 1 year | 1 to 5 years | over 5 years | Sub-total | |
| **At 31 December 2019** | | | | | | | | | |
| Amount due from related companies | — | — | — | — | 6,316 | — | — | 6,316 | 6,316 |
| Borrowings | 23,578 | 36,615 | 12,942 | 73,135 | 112,155 | 136,231 | 754 | 249,140 | 322,275 |
| Lease liabilities | — | — | — | — | 176 | 274 | 163 | 613 | 613 |
| At 31 December 2018 | | | | | | | | | |
| Amount due from related companies | — | — | — | — | 20,308 | — | — | 20,308 | 20,308 |
| Borrowings | 18,778 | 38,526 | 2,586 | 59,890 | 73,268 | 95,378 | 873 | 169,519 | 229,409 |

As at 31 December 2019, if the interest rates on borrowings had been 100 basis points higher/lower with all other variables held constant, the post-tax profit for the year would have been lower/higher by RMB81.93 million (2018: lower/higher by RMB48.49 million) and the capitalised interest for the year would have been higher/lower by RMB505.61 million (2018: higher/lower by RMB495.85 million) respectively.

The Group's management team centrally authorises all loans entered into by operating entities and sets a benchmark interest rate within which the entity management teams can negotiate loans with their local lenders prior to obtaining central approval from the Group management. The interest rate benchmark is reassessed annually by the Group management team.

The Group also analyses its interest rate exposure monthly by considering refinancing, renewal of existing positions and alternative financing.

## 4 Financial risk management *(Continued)*

### 4.1 FINANCIAL RISK FACTORS *(Continued)*

**(a) Market risk** *(Continued)*

(iii) Price risk

The Group's exposure to equity securities price risk arises from investments held by the Group and classified in the balance sheet as financial assets at FVPL (note 14). The Group monitor the pricing change of these equity securities during each reporting period to manage the price risk.

The Group's listed equity securities are publicly in the Hong Kong Stock Exchange. As at 31 December 2019, if the pricing of securities has increased/decreased by 5% with all other variables held constant, the post-tax profit for the year would have been RMB5.12 million higher/lower (2018: RMB12.7 million higher/lower).

**(b) Credit risk**

(i) Risk management

The Group has no significant concentrations of credit risk. The maximum extent of the Group's credit exposure in relation to financial assets is represented by the aggregate balance of cash and cash equivalents, restricted cash, contract assets, trade and other receivable, amounts due from related companies, financial assets at FVPL and derivative financial instruments included in the consolidated balance sheets and financial guarantees provided to related companies and guarantees on mortgage facilities.

Cash transactions are limited to high-credit-quality banks. The Group has policies in place to ensure that sales of properties are made to customers with an appropriate financial strength and appropriate percentage of down payment. Credit is granted to customers with sufficient financial strength. It also has continuous monitoring procedures to ensure the collection of the receivables as scheduled and follow up action is taken to recover overdue debts, if any.

Certain customers of the Group have arranged bank financing for their purchases of the properties. The Group entities have provided guarantees to secure obligations of such customers for repayments, normally up to the time when the customers obtain the legal certificates of the property ownership.

## 4 Financial risk management *(Continued)*

### 4.1 FINANCIAL RISK FACTORS *(Continued)*

#### (b) Credit risk *(Continued)*

(ii) Impairment of financial assets

The Group has four types of financial assets that are subject to the expected credit loss model:

- trade receivables for properties sold or services performed in the ordinary course of business
- contract assets relating to property development and sales contracts
- other receivables (excluding loans to third parties)
- loans to related and third parties

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

*Contract assets and trade receivables*

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for contract assets and trade receivables.

To measure the expected credit losses, contract assets and trade receivables have been grouped based on shared credit risk characteristics and the ageing analysis. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2019 or 1 January 2019 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

## 4 Financial risk management *(Continued)*

### 4.1 FINANCIAL RISK FACTORS *(Continued)*

#### (b) Credit risk *(Continued)*

(ii) Impairment of financial assets *(Continued)*

*Contract assets and trade receivables (Continued)*

On that basis, the loss allowance as at 31 December 2019 and 31 December 2018 was determined as follows for contract assets and trade receivables:

| **31 December 2019** | **Current** | **More than 90 days** | **More than 180 days** | **More than 1 years** | **Total** |
|---|---|---|---|---|---|
| | **RMB'000** | **RMB'000** | **RMB'000** | **RMB'000** | **RMB'000** |
| Expected loss rate | 0.03% | 0.30% | 2.30% | 11.30% | 2.57% |
| Gross carrying amount | 1,167,804 | 12,517 | 211,952 | 350,149 | 1,742,422 |
| **Loss allowance** | 358 | 37 | 4,882 | 39,572 | 44,849 |

| 31 December 2018 | Current | More than 90 days | More than 180 days | More than 1 years | Total |
|---|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Expected loss rate | 0.01% | 0.29% | 2.30% | 3.38% | 1.29% |
| Gross carrying amount | 769,425 | 42,911 | 145,901 | 420,722 | 1,378,959 |
| **Loss allowance** | 82 | 126 | 3,361 | 14,238 | 17,807 |

*Other receivables (excluding loans to third parties)*

Other receivables (excluding loans to third parties) such as guarantee and deposit are considered to have low credit risk and the loss allowance recognised during the period was therefore limited to 12 months expected losses. Management consider 'low credit risk' for financial instruments when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. On that basis, the loss allowance for other receivables (excluding loans to third parties) was RMB143.44 million as at 31 December 2019.

## 4 Financial risk management *(Continued)*

### 4.1 FINANCIAL RISK FACTORS *(Continued)*

#### (b) Credit risk *(Continued)*

(ii) Impairment of financial assets *(Continued)*

*Loans to related and third parties*

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

– internal credit rating

– external credit rating (as far as available)

– actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations

– actual or expected significant changes in the operating results of the borrower

– significant increases in credit risk on other financial instruments of the same borrower

– significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements

– significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the group and changes in the operating results of the borrower.

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

A default on a financial asset is when the counterparty fails to make contractual payments within 90 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the company. Where loans or receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

## 4 Financial risk management *(Continued)*

### 4.1 FINANCIAL RISK FACTORS *(Continued)*

#### (b) Credit risk *(Continued)*

(ii) Impairment of financial assets *(Continued)*

*Loans to related and third parties (Continued)*

The Group uses four categories for loans which reflect their credit risk and how the loan loss provision is determined for each of those categories.

A summary of the assumptions underpinning the Group's expected credit loss model is as follows:

| Category | Group definition of category | Basis for recognition of expected credit loss provision |
|---|---|---|
| Performing | Customers have a low risk of default and a strong capacity to meet contractual cash flows | 12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime |
| Underperforming | Loans for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due | Lifetime expected losses |
| Non-performing | Interest and/or principal repayments are 90 days past due | Lifetime expected losses |
| Write-off | There is no reasonable expectation of recovery | Asset is written off |

Over the terms of the loans, the Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of loan, and adjusts for forward looking macroeconomic data. As at 31 December 2019, the Group provides for credit losses against loans to related parties and third parties as follows:

| Company internal credit rating | Expected credit loss rate | Basis for recognition of expected credit loss provision | Estimated gross carrying amount at default RMB'000 | Carrying amount (net of impairment provision) RMB'000 | Basis for calculation of interest revenue |
|---|---|---|---|---|---|
| Performing | 0.96% | 12 months expected losses | 19,415,430 | 19,229,836 | Gross carrying amount |
| Non-performing | 97.55% | Lifetime expected losses | 6,928,304 | 170,000 | Amortised cost carrying amount (net of credit allowance) |

No significant changes to estimation techniques or assumptions were made during the reporting period.

# 4 Financial risk management *(Continued)*

## 4.1 FINANCIAL RISK FACTORS *(Continued)*

### (b) Credit risk *(Continued)*

(ii) Impairment of financial assets *(Continued)*

*Loans to related and third parties (Continued)*

The loss allowance for contract assets, trade and other receivables and amounts due from related parties as at 31 December reconciles to the opening loss allowance as follows:

| | Contract assets | | Trade and other receivables | | Amounts due from related parties | |
|---|---|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 | **2019** | 2018 |
| | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| **Opening loss allowance as at 1 January** | **35** | 10 | **307,068** | 750,642 | **5,178,539** | 1,493,257 |
| Increase in loss allowance recognised in profit or loss during the year | **323** | 25 | **131,672** | 85,827 | **1,600,758** | 3,685,282 |
| Receivables written off during the year as uncollectible | — | — | **(86,208)** | — | — | — |
| Unused amount reversed | — | — | — | (529,401) | — | — |
| **Closing loss allowance at 31 December** | **358** | 35 | **352,532** | 307,068 | **6,779,297** | 5,178,539 |

Contract assets, trade and other receivables and amounts due from related parties are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group. Where loans or receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

Impairment losses on contract assets, trade and other receivables and amounts due from related parties are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

## 4 Financial risk management *(Continued)*

### 4.1 FINANCIAL RISK FACTORS *(Continued)*

#### (b) Credit risk *(Continued)*

(ii) Impairment of financial assets *(Continued)*

*Loans to related and third parties (Continued)*

During the year, the following impairment losses or reversal were recognised in profit or loss in relation to impaired financial assets:

| | **2019** | 2018 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Impairment losses | | |
| movement in loss allowance for contract assets and trade and other receivables and amounts due from related parties | **1,732,753** | 3,771,134 |
| Expected credit losses on financial guarantee | **161,369** | 243,662 |
| Reversal of previous impairment losses | — | (529,401) |
| Net impairment losses on financial and contract assets | **1,894,122** | 3,485,395 |

Of the above impairment losses, RMB27.04 million (2018 – RMB1.37 million) relate to receivables arising from contracts with customers.

*Financial assets at fair value through profit or loss*

The Group is also exposed to credit risk in relation to debt investments that are measured at fair value through profit or loss. The maximum exposure at the end of the reporting period is the carrying amount of these investments (2019 – RMB1,162.11 million; 2018 – RMB788.1 million).

*Financial guarantees*

The loss allowance for financial guarantee contracts was determined based on the same policy as loans to related and third parties. On that basis, the loss allowance for financial guarantees was RMB610.97 million as at 1 January 2019 and a further increase in the allowance of RMB151.37 million as at 31 December 2019.

## 4 Financial risk management *(Continued)*

### 4.1 FINANCIAL RISK FACTORS *(Continued)*

#### (c) Liquidity risk

Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group finance. Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements – for example, currency restrictions.

The Group has a number of alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include adjusting and further slowing down the construction progress as appropriate to ensure available resources for the development of properties for sale, implementing cost control measures, accelerating sales with more flexible pricing and issuing senior notes. The Group, will base on its assessment of the relevant future costs and benefits, pursue such options as are appropriate. The Directors consider that the Group will be able to maintain sufficient financial resources to meet its operation needs.

Due to the dynamic nature of the underlying businesses, the Group's central treasury department maintains flexibility in funding by its ability to move cash and cash equivalents between different entities through related parties borrowing arrangements.

(i) Financing arrangements

The Group had access to the following undrawn borrowing facilities at the end of the reporting period:

| | **2019** | 2018 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| – Expiring within one year (bank loans) | **10,050,820** | 7,593,256 |
| – Expiring beyond one year (bank loans) | **15,888,470** | 34,867,140 |
| | **25,939,290** | 42,460,396 |

Subject to the continuance of satisfactory credit ratings, the bank loan facilities may be drawn at any time in either RMB or USD and have an average maturity of 1.73 years (2018: 1.66 years).

## 4 Financial risk management *(Continued)*

### 4.1 FINANCIAL RISK FACTORS *(Continued)*

#### (c) Liquidity risk *(Continued)*

(ii) Maturities of financial liabilities

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on their contractual maturities for:

- all non-derivative financial liabilities, and
- net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

| In RMB' million | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years | Total |
|---|---|---|---|---|---|
| **At 31 December 2019** | | | | | |
| Borrowings and interest payments | **157,586** | **115,881** | **76,865** | **17,339** | **367,671** |
| Trade and other payables (note 26) | **140,731** | **45** | **74** | **27** | **140,877** |
| Amounts due to related companies (note 45(D)) | **58,934** | — | — | — | **58,934** |
| Derivative financial instruments (note 28) | — | **14** | — | — | **14** |
| Financial guarantee contracts (note 39) | **134,526** | **11,790** | **15,962** | — | **162,278** |
| Lease liabilities | **185** | **138** | **215** | **360** | **898** |
| **At 31 December 2018** | | | | | |
| Borrowings and interest payments | 106,645 | 83,492 | 63,236 | 4,038 | 257,411 |
| Trade and other payables (note 26) | 86,403 | — | 1,474 | — | 87,877 |
| Amounts due to related companies (note 45(D)) | 62,663 | — | — | — | 62,663 |
| Derivative financial instruments (note 28) | 14 | — | 80 | — | 94 |
| Financial guarantee contracts (note 39) | 95,525 | 10,976 | 5,918 | — | 112,419 |

Note:

– The interest payments on borrowings are calculated based on borrowings held as at 31 December 2019 and 2018 without taking into account of future borrowings. Floating-rate interest is estimated using the current interest rate at 31 December 2019 and 2018 respectively.

– Trade and other payables in this analysis do not include the taxes payables and payroll and welfare payables.

## 4 Financial risk management *(Continued)*

### 4.2 CAPITAL MANAGEMENT

The Group's objectives when managing capital are to

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and
- maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity holders, return capital to equity holders, issue new shares or sell assets to reduce debts.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) and lease liabilities less cash and cash equivalents (including restricted cash). Total capital is calculated by adding total equity and net debt.

The gearing ratios of the Group as at 31 December 2019 and 2018 and as at 1 January 2019 were as follows:

| | **31 December 2019 RMB'000** | **1 January 2019 RMB'000** | 31 December 2018 RMB'000 |
|---|---|---|---|
| Total borrowings (note 27) | **322,274,959** | **229,409,063** | 229,409,063 |
| Lease liabilities (note 10) | **613,347** | **433,162** | — |
| Less: Restricted cash (note 19) | **(47,787,028)** | **(44,017,011)** | (44,017,011) |
| Cash and cash equivalents (note 20) | **(77,943,661)** | **(76,181,041)** | (76,181,041) |
| Net debt | **197,157,617** | **109,644,173** | 109,211,011 |
| Total capital | **311,251,861** | **182,750,742** | 182,317,580 |
| Gearing ratio | **63.34%** | **60.00%** | 59.90% |

The gearing ratio increased from 59.9% to 60.0% following the adoption of HKFRS 16 Leases. Both net debt and gross assets increased following the recognition of right-of-use assets and lease liabilities on 1 January 2019. See note 3 for further information.

Under the terms of the major borrowing facilities, the Group is required to comply with the following financial covenants:

- the fixed charge coverage ratio of consolidated EBITDA to consolidated fixed charges must be not less than 2 to 1 (the consolidated fixed charges mainly included consolidated interest expenses and dividend paid and declared during a period),
- the liabilities/assets ratio of individual subsidiary must be not more than 70% to 90%, and
- the equity/assets ratio of individual subsidiary must be not less than 30%.

## 5 Fair value estimation

### (A) FINANCIAL ASSETS AND LIABILITIES

#### (i) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

Recurring fair value measurements

| **At 31 December 2019** | Note | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|---|
| | | **RMB'000** | **RMB'000** | **RMB'000** | **RMB'000** |
| **Financial assets** | | | | | |
| Financial assets at FVPL | 14 | **121,585** | — | **15,667,198** | **15,788,783** |
| Derivative financial instruments | 28 | — | **31,629** | — | **31,629** |
| **Financial liabilities** | | | | | |
| Derivative financial instruments | 28 | — | **14,358** | — | **14,358** |

Recurring fair value measurements

| At 31 December 2018 | Note | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|---|
| | | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **Financial assets** | | | | | |
| Financial assets at FVPL | 14 | 302,296 | — | 9,703,796 | 10,006,092 |
| Derivative financial instruments | 28 | — | 153,507 | 125,817 | 279,324 |
| **Financial liabilities** | | | | | |
| Derivative financial instruments | 28 | — | 93,526 | — | 93,526 |

## 5 Fair value estimation *(Continued)*

### (A) FINANCIAL ASSETS AND LIABILITIES *(Continued)*

#### (i) Fair value hierarchy *(Continued)*

During the year ended 31 December 2019, there were no transfers between different levels for recurring fair value measurements during the year.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

**Level 1:** The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

**Level 2:** The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

**Level 3:** If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

#### (ii) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments;
- discounted cash flow model with unobservable inputs mainly including assumptions of expected future cash flows and discount rate;
- price/booking multiple method, backsolve method, equity allocation model and option pricing method with observable and unobservable inputs, including risk-free rate, expected volatility, discount rate for lack of marketability, discount rate, market multiples rate and etc.;
- for currency derivative contracts — option pricing model and the present value of the estimated future premium payments set out in these contracts, and
- for option embedded in the corporate bond contracts — trinomial option pricing model and monte carlo simulation model with prominent factors that will materially affect value of the options, including terms and conditions of the option of the bonds, volatilities of the market interest rates and etc.

## 5 Fair value estimation *(Continued)*

### (A) FINANCIAL ASSETS AND LIABILITIES *(Continued)*

#### (ii) Valuation techniques used to determine fair values *(Continued)*

The financial instruments classified as level 2 represent currency derivative contracts entered into with certain commercial banks and option embedded in the corporate bond contracts. The currency derivative contracts do not qualify for hedge accounting, so that they are classified as derivative financial instruments on the balance sheet and with fair value changes recognised in the profit or loss.

As at 31 December 2019 and 2018, the Group's level 3 instruments included unlisted equity investments, debt instruments and forward contracts embedded in acquisition contract.

#### (iii) Fair value measurements using significant unobservable inputs (level 3) and valuation inputs and relationships to fair value

The following table presents the changes in level 3 items for the periods ended 31 December 2019 and 31 December 2018:

| | | Financial assets at FVPL | | |
|---|---|---|---|---|
| | Derivative financial instruments RMB'000 | Unlisted equity securities RMB'000 | Debt instruments RMB'000 | Total RMB'000 |
| **Opening balance 1 January 2018** | — | **871,578** | — | **871,578** |
| Acquisitions | — | 7,698,945 | 841,399 | 8,540,344 |
| Disposals | — | (339,001) | — | (339,001) |
| Transfer to level 1 | — | (257,996) | — | (257,996) |
| Gains/(losses) recognised in other income* | 125,817 | 942,131 | (53,260) | 888,871 |
| **Closing balance 31 December 2018** | **125,817** | **8,915,657** | **788,139** | **9,703,796** |
| Acquisitions | — | 4,569,722 | 307,475 | 4,877,197 |
| Acquisition of subsidiary | — | — | 200,000 | 200,000 |
| Disposals | — | (30,000) | (133,500) | (163,500) |
| Transfer | (125,817) | 125,817 | — | 125,817 |
| Gains recognised in other income* | — | 923,888 | — | 923,888 |
| **Closing balance 31 December 2019** | — | 14,505,084 | 1,162,114 | 15,667,198 |

* includes unrealised gains or (losses) recognised in profit or loss attributable to balances held at the end of the reporting period

| | | | | |
|---|---|---|---|---|
| **2019** | — | **923,888** | — | **923,888** |
| 2018 | 125,817 | 942,131 | (53,260) | 888,871 |

## 5 Fair value estimation *(Continued)*

### (A) FINANCIAL ASSETS AND LIABILITIES *(Continued)*

**(iii) Fair value measurements using significant unobservable inputs (level 3) and valuation inputs and relationships to fair value** *(Continued)*

The following table summarises the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements. See (ii) above for the valuation techniques adopted.

| | Fair value at | | | | Range of significant unobservable inputs | |
|---|---|---|---|---|---|---|
| **Description** | **31 Dec 2019 RMB'000** | 31 Dec 2018 RMB'000 | **Valuation method** | **Significant unobservable inputs** | **2019** | 2018 |
| Unlisted equity securities and forward contracts embedded in acquisition contract | **14,505,084** | 9,041,474 | Price/booking multiple method, backsolve method, equity allocation model,option pricing method and discounted cash flow model | Lack of marketability discount rate | **10%** | 12%-25% |
| | | | | Expected volatility rate | **30.78%-54.36%** | 48.91%-55.38% |
| | | | | Discount rate | **13%** | 13% |
| Other financial instruments | **1,162,114** | 788,139 | Discounted cash flow model | Discount rate | **4.2%-4.85%** | 6.50%-10% |

Relationships of unobservable inputs to fair value are as follows:

- The higher rate of discount rate, the lower fair value;
- The higher rate of discount rate for lack of marketability, the lower fair value;
- The higher rate of expected volatility, the lower fair value.

The management performs the valuation of financial instruments for financial reporting purposes. Unobservable inputs including discount rate, expected volatility rate and interest rate are assessed by the independent valuers based on current market assessments of the time value of money and the risk specific to the asset being valued.

**(iv) Fair values of other financial instruments (unrecognised)**

The Group also has a number of financial instruments which are not measured at fair value in the balance sheet. For the majority of these instruments, the fair values are not materially different to their carrying amounts, since the interest receivable/payable is either close to current market rates or the instruments are short-term in nature. Significant differences were identified for the following instruments at 31 December 2019:

| | **Carrying amount RMB'000** | **Fair value RMB'000** |
|---|---|---|
| **Non-current borrowings:** | | |
| – Corporate bonds (note 27) | 7,818,085 | 7,983,480 |
| – Private domestic corporate bonds (note 27) | 16,969,539 | 18,512,829 |

## 5 Fair value estimation *(Continued)*

### (B) NON-FINANCIAL ASSETS AND LIABILITIES

#### (i) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the non-financial assets that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its non-financial assets and liabilities into the three levels prescribed under the accounting standards. An explanation of each level is provided in note 5(A).

| **At 31 December 2019** | Note | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|---|
| | | **RMB'000** | **RMB'000** | **RMB'000** | **RMB'000** |
| Investment properties | 9 | — | — | **26,845,510** | **26,845,510** |

| At 31 December 2018 | Note | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|---|
| | | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Investment properties | 9 | — | — | 16,195,739 | 16,195,739 |

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

During the year ended 31 December 2019, there were no reclassifications of non-financial assets and non-financial liabilities and no transfers between different levels for recurring fair value measurements.

#### (ii) Valuation techniques used to determine level 3 fair values

At the end of each reporting period, the management of the Group update their assessment of the fair value of the investment properties, taking into account the most recent independent valuations. The management determine a property's value within a range of reasonable fair value estimates.

The best evidence of fair value is current prices in an active market for similar properties. Where such information is not available the management determine the fair value based on below valuation techniques:

- Income capitalisation approach – capitalised income derived from the existing tenancies and the reversionary potential with unobservable inputs mainly including capitalisation rates and market rental prices;

- Residual approach – used in valuing investment properties under development by establishing the market value on the premise that the properties will be developed and completed in accordance with its latest development plan. The residual valuation of valued properties can be expressed as the market value deducts the estimated costs to complete and developers' profit to reflect the total value of the partially completed development;

- Discounted cash flow method – discounted cash flow projections based on reliable estimates of future cash flows.

## 5 Fair value estimation *(Continued)*

### (B) NON-FINANCIAL ASSETS AND LIABILITIES *(Continued)*

**(iii) Fair value measurements using significant unobservable inputs (level 3) and valuation inputs and relationships to fair value**

See note 9 for further information about the changes in level 3 items for the periods ended 31 December 2019 and 2018.

The following table summarises the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements. See (ii) above for the valuation techniques adopted.

| | Fair value at | | | | Range of significant unobservable inputs | |
|---|---|---|---|---|---|---|
| Description | 31 Dec 2019 RMB'000 | 31 Dec 2018 RMB'000 | Valuation method | Significant unobservable inputs | 2019 | 2018 |
| Office buildings and commercial properties | **1,639,210** | 1,414,113 | Income capitalisation approach | Market rental prices; capitalisation rate | RMB36-RMB265 per unit per month capitalisation rates: 4%-6% | RMB90-RMB185 per unit per month capitalisation rates: 4%-5.25% |
| Shopping malls | **19,529,300** | 10,610,000 | Income capitalisation approach | Market rental prices; capitalisation rate | RMB50-RMB600 per unit per month capitalisation rates: 4.5%-7% | RMB55-RMB240 per unit per month capitalisation rates: 4.5%-7% |
| Shopping malls | **4,556,000** | — | Discounted cash flow method | Market rental prices; discount rates; profit rate | RMB94-RMB246 per unit per month discount rates: 8.0% profit rate: 56%-71% | — |
| Construction in progress | **1,121,000** | 4,171,626 | Residual method; Income capitalisation approach | Market rental prices; capitalisation rate; developer's profit rate | RMB45-RMB258 per unit per month capitalisation rate: 4.5%-6.0% developer's profit rate: 15%-20% | RMB70-RMB220 per unit per month capitalisation rate: 4.5%-5.5% developer's profit rate: 10%-15% |

## 5 Fair value estimation *(Continued)*

### (B) NON-FINANCIAL ASSETS AND LIABILITIES *(Continued)*

**(iii) Fair value measurements using significant unobservable inputs (level 3) and valuation inputs and relationships to fair value** *(Continued)*

Relationships of unobservable inputs to fair value are as follows:

- The higher market rental price, the higher fair value;
- The higher rate of capitalisation rate, the lower fair value;
- The higher rate of discount rate, the lower fair value;
- The higher developer's profit rate, the lower fair value;
- The higher profit rate, the higher fair value.

**(iv) Valuation processes**

As at 31 December 2019, management obtains independent valuations for its investment properties including office buildings, shopping malls and commercial properties. The independent valuation of these buildings was performed by DTZ Cushman & Wakefield Limited.

The main level 3 inputs used by the Group are derived and evaluated as follows:

Office buildings, shopping malls and commercial properties – market rental prices, capitalisation rates, profit rates and discount rates are estimated by independent valuer or management based on comparable transactions and industry data;

Construction in progress – developer's profit rate is estimated based on market conditions as at 31 December 2019. The estimated costs to completion are consistent with the budgets developed internally by the Group based on management's experience and knowledge of market conditions.

## 6 Critical accounting estimates and judgements

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

### (A) PRC CORPORATE INCOME TAXES AND DEFERRED TAXATION

The Group's subsidiaries that operate in the PRC are subject to income tax in the PRC. Significant judgement is required in determining the provision for income tax and withholding tax on undistributed earnings of PRC subsidiaries. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters (including the effect of change in the dividend policies of PRC subsidiaries) is different from the amounts that were initially recorded, such differences will impact the current and deferred tax assets and liabilities in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

### (B) PRC LAND APPRECIATION TAX ("LAT")

The implementation and settlement of LAT varies among various tax jurisdictions in cities of the PRC, significant judgement is required in determining the amount of the land appreciation and its related taxes. The Group recognised these land appreciation taxes based on management's best estimates according to its understanding of the interpretation of tax rules by various tax authorities. The final tax outcome could be different from the amounts that were initially recorded, and these differences will affect the income taxes and deferred income tax provisions in the years in which such taxes have been finalised with local tax authorities.

### (C) ESTIMATED NET REALISABLE VALUE OF PROPERTIES UNDER DEVELOPMENT AND COMPLETED PROPERTIES HELD FOR SALE

The Group assesses the carrying amounts of properties under development and completed properties held for sale based on the net realisable value of these properties, taking into account costs to completion based on past experience and net sales value based on prevailing market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of judgement and estimates.

## 6 Critical accounting estimates and judgements *(Continued)*

### (D) FAIR VALUE OF INVESTMENT PROPERTIES

The Group assesses the fair value of its investment properties based on valuations determined by independent and professional qualified valuer. Significant judgement and assumptions are required in assessing the fair value of the investment properties. Details of the judgement and assumptions have been disclosed in note 5(B).

### (E) IMPAIRMENT OF INVESTMENT

The Group tests assets for impairment whenever investments suffer any impairment in accordance to the accounting policies. Investments are reviewed for impairment, whenever events or changes in circumstances that may cause the carrying amounts to the investments to exceed their recoverable amounts. The recoverable amount of an investment is determined as the higher of cash generating unit (CGU)'s fair value less cost to sell and its value-in-use which require the use of assumptions. The estimation of fair value less cost of disposal was made mainly from public market information. The estimated future cash flows used in the value in use assessments are based on assumptions, such as selling price, sales volume, gross margin, box office receipts, distribution commissions, promotion expenditures, and discount rates.

### (F) IMPAIRMENT OF FINANCIAL ASSETS

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the tables in note 4.1(b).

### (G) REVENUE RECOGNITION

The Group has recognised revenue from the sale of properties held for sale as disclosed in note 2.29. Revenue is recognised over time when the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; otherwise, revenue is recognised at a point in time when the buyer obtains control of the completed property. The properties have generally no alternative use for the Group due to contractual restrictions. However, whether there is an enforceable right to payment and hence the related contract revenue is recognised over time, depends on the terms of each contract and the relevant laws that apply to that contract. To assess the enforceability of right to payment, the Group has reviewed the terms of its contracts, the relevant local laws, the local regulators' views and obtained legal advice, when necessary, and a significant judgement is required.

## 6 Critical accounting estimates and judgements *(Continued)*

### (G) REVENUE RECOGNITION *(Continued)*

As disclosed in note 39, the Group provides guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. These guarantees will expire when relevant property ownership certificates are mortgaged to banks by the purchasers. In order to obtain mortgage loans, the purchasers need to settle certain percentage of the total contract amount in accordance with related PRC regulations upon delivery of the properties. The Directors of the Company are of the opinion that such settlements provide sufficient evidence of the purchasers' commitment to honour contractual obligation of the bank loans. In addition, based on past experiences, there were no significant defaults of mortgage facilities by the purchasers resulting in the calling of the bank guarantees provided. Accordingly, the Directors believe that control of the properties have been transferred to the purchasers.

### (H) GAINS FROM BUSINESS COMBINATION

For the acquired business, the excess amounts of fair values of net amounts of the identifiable assets acquired and the liabilities over the considerations were recognised as gains in consolidated statement of comprehensive income. The Group exercised significant estimates and judgment in determination of the fair value of identifiable assets acquired which mainly included the determination of valuation techniques and the selection of inputs accordingly. The valuation techniques mainly include discounted cash flow approach, income capitalisation approach, direct comparison method and residual approach. The key assumption adopted mainly include the future unit selling price, market rental price, profit rates, estimated future costs to finish the completion of the whole project development, capitalisation rates and discount rate. The estimates and judgment mainly based on the operation model and construction status of each property, the market information and historical records.

### (I) ESTIMATION OF GOODWILL IMPAIRMENT

The Group tests whether goodwill has suffered any impairment on an annual basis. For the 2019 and 2018 reporting period, the recoverable amount of a cash generating unit (CGU) was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial estimate of management covering a reasonably forecast period.

Cash flows beyond the forecasting period are extrapolated using the estimated growth rates stated in note 11. These growth rates are consistent with management's expectations of market development specific to the industry in which each CGU operates.

Details of impairment charge, key assumptions and impact of possible changes in key assumptions are disclosed in note 11.

### (J) ESTIMATION OF THE FAIR VALUE OF CERTAIN FINANCIAL ASSETS

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. For details of the key assumptions used and the impact of changes to these assumptions see note 5(A).

## 7 Segment information

The executive directors of the Company review the Group's internal reporting in order to assess performance and allocate resources of the Group. The executive directors of the Company have determined the operating segments based on these reports.

The executive directors assess the performance of the Group organised as follows:

- Property development
- Cultural and tourism city construction and operation
- All other segments

Other segments include property management, office building rentals and fitting and decoration services. The results of these operations are included in the "all other segments" column.

The performance of above reportable segments is assessed based on a measure of profit before depreciation and amortisation, interest expenses and income tax expenses, defined as segment results. The segment results exclude the fair value gains or losses on financial assets at FVPL and derivative financial instruments and share of profits or losses and impairment losses of certain non-core business investments accounted for using the equity method, which are managed on a central basis.

Segment assets primarily consist of all assets excluding deferred tax assets, financial assets at FVPL, derivative financial instruments, assets classified as held for sale and certain investments accounted for using the equity method, which are managed on a central basis. Segment liabilities primarily consist of all liabilities excluding deferred tax liabilities, current tax liabilities, provisions and derivative financial instruments.

The Group's revenue is mainly attributable to the market in the PRC and over 90% of the Group's non-current assets are located in the PRC. No geographical information is therefore presented.

The Group has a large number of customers, none of whom contributed 10% or more of the Group's revenue.

## 7 Segment information *(Continued)*

The segment results are as follows:

| | Year ended 31 December 2019 | | | |
|---|---|---|---|---|
| | Property development RMB'000 | Cultural and tourism city construction and operation RMB'000 | All other segments RMB'000 | Total RMB'000 |
| Total segment revenue | 159,470,451 | 2,852,522 | 19,297,424 | 181,620,397 |
| Recognised at a point in time | 114,745,997 | 1,120,711 | — | 115,866,708 |
| Recognised over time | 44,724,454 | 1,731,811 | 19,297,424 | 65,753,689 |
| Inter-segment revenue | — | — | (12,304,387) | (12,304,387) |
| **Revenue from external customers** | 159,470,451 | 2,852,522 | 6,993,037 | 169,316,010 |
| **Segment gross profit** | 38,730,174 | 1,215,850 | 2,554,610 | 42,500,634 |
| Net impairment losses on financial and contract assets | (214,914) | — | — | (214,914) |
| Selling and marketing costs | (5,588,721) | (260,306) | (258,622) | (6,107,649) |
| Administrative expenses | (5,614,192) | (851,011) | (1,153,348) | (7,618,551) |
| Other income and gains | 11,863,498 | 1,283,216 | 106,480 | 13,253,194 |
| Other expenses and losses | (403,713) | (5,205) | (45,974) | (454,892) |
| Finance income | 1,177,407 | — | 5,837 | 1,183,244 |
| Share of post-tax profits/(losses) of associates and joint ventures accounted for using the equity method, net | 8,434,875 | — | (137,048) | 8,297,827 |
| **Segment results** | 48,384,414 | 1,382,544 | 1,071,935 | 50,838,893 |

| | As at 31 December 2019 | | | |
|---|---|---|---|---|
| | Property development RMB'000 | Cultural and tourism city construction and operation RMB'000 | All other segments RMB'000 | Total RMB'000 |
| **Total segment assets** | 788,834,530 | 100,117,656 | 35,400,183 | 924,352,369 |
| **Total segment liabilities** | 724,874,620 | 22,470,962 | 22,767,941 | 770,113,523 |

## 7 Segment information *(Continued)*

| | Year ended 31 December 2018 | | | |
|---|---|---|---|---|
| | Property development RMB'000 | Cultural and tourism city construction and operation RMB'000 | All other segments RMB'000 | Total RMB'000 |
| Total segment revenue | 117,714,286 | 2,027,898 | 8,746,886 | 128,489,070 |
| Recognised at a point in time | 87,761,403 | 704,318 | — | 88,465,721 |
| Recognised over time | 29,952,883 | 1,323,580 | 8,746,886 | 40,023,349 |
| Inter-segment revenue | — | — | (3,743,447) | (3,743,447) |
| **Revenue from external customers** | 117,714,286 | 2,027,898 | 5,003,439 | 124,745,623 |
| **Segment gross profit** | 27,963,424 | 914,749 | 2,913,020 | 31,791,193 |
| Net impairment losses on financial and contract assets | (206,924) | — | — | (206,924) |
| Selling and marketing costs | (4,062,549) | (150,980) | (76,310) | (4,289,839) |
| Administrative expenses | (5,824,482) | (703,425) | (562,347) | (7,090,254) |
| Other income and gains | 10,275,942 | 240,025 | 21,939 | 10,537,906 |
| Other expenses and losses | (665,309) | (41,284) | (8,470) | (715,063) |
| Finance income | 806,208 | — | — | 806,208 |
| Share of post-tax profits of associates and joint ventures accounted for using the equity method, net | 5,326,269 | — | — | 5,326,269 |
| **Segment results** | 33,612,579 | 259,085 | 2,287,832 | 36,159,496 |

| | As at 31 December 2018 | | | |
|---|---|---|---|---|
| | Property development RMB'000 | Cultural and tourism city construction and operation RMB'000 | All other segments RMB'000 | Total RMB'000 |
| **Total segment assets** | 605,541,049 | 78,928,979 | 15,599,444 | 700,069,472 |
| **Total segment liabilities** | 566,196,937 | 6,627,296 | 13,023,807 | 585,848,040 |

## 7 Segment information *(Continued)*

Reportable segments results are reconciled to total profit for the year as follows:

| | **2019** | 2018 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Total segment results | **50,838,893** | 36,159,496 |
| Net impairment losses on financial and contract assets | **(1,679,208)** | (3,278,471) |
| Depreciation and amortisation | **(1,821,133)** | (992,164) |
| Finance costs | **(4,808,250)** | (2,893,493) |
| Other income and gains | **934,768** | 1,310,185 |
| Other expenses and losses | **(767,241)** | (1,271,048) |
| Share of losses of investments accounted for using the equity method, net | **(151,506)** | (370,275) |
| Income tax expenses | **(14,390,265)** | (11,219,229) |
| **Profit for the year** | **28,156,058** | 17,445,001 |

Reportable segments' assets and liabilities are reconciled to total assets and liabilities as follows:

| | **31 December 2019** | 31 December 2018 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Total segment assets | **924,352,369** | 700,069,472 |
| Deferred tax assets | **8,585,312** | 2,984,740 |
| Other assets | **27,711,561** | 13,605,778 |
| **Total assets** | **960,649,242** | 716,659,990 |
| Total segment liabilities | **770,113,523** | 585,848,040 |
| Deferred tax liabilities | **38,534,748** | 33,383,440 |
| Other liabilities | **37,906,727** | 24,321,941 |
| **Total liabilities** | **846,554,998** | 643,553,421 |

## 7 Segment information *(Continued)*

### CHANGES IN ACCOUNTING POLICY

The adoption of the new leasing standard described in note 3 had the following impact on the segment disclosures in the current year.

| | Depreciation | Segment results | Increase Segment assets | Segment liabilities |
|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Property development | 158,100 | 177,157 | 562,818 | 604,467 |
| Cultural and tourism city construction and operation | 5,486 | 4,587 | 7,296 | 8,880 |
| All other segments | — | — | — | — |
| | 163,586 | 181,744 | 570,114 | 613,347 |

Comparative segment information has not been restated. As a consequence, the segment information disclosed for the items noted above is not entirely comparable to the information disclosed for the prior year.

### ASSETS AND LIABILITIES RELATED TO CONTRACTS WITH CUSTOMERS

The Group has recognised the following assets and liabilities related to contracts with customers:

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| | RMB'000 | RMB'000 |
| Related to development and sales of properties contracts: | | |
| Current contract assets | **41,366** | 19,333 |
| Cost to obtain the contract | **2,018,889** | 913,030 |
| Loss allowance | **(358)** | (35) |
| Total contract assets | **2,059,897** | 932,328 |
| Contract liabilities | **240,818,329** | 199,378,610 |

## 7 Segment information *(Continued)*

### ASSETS AND LIABILITIES RELATED TO CONTRACTS WITH CUSTOMERS *(Continued)*

**(i) Significant changes in contract assets and liabilities**

As at 31 December 2019, the contract assets mainly consisted of unbilled amount resulting from sale of properties when the cost-to-cost method of revenue recognised exceeds the amount billed to the customer and unamortised incremental cost to obtain the contract.

As at 31 December 2019, the contract liabilities mainly included the payments received from sales of properties which were usually received in advance of the performance under the contracts. The increase in contract liabilities during the year was in line with the growth of the Group's contracted sales and due to an amount of RMB5.82 billion recognised in relation to business combination.

**(ii) Revenue recognised in relation to contract liabilities**

Revenue totalled approximately RMB141.69 billion was recognised in current reporting period that was included in the contract liability balance at the beginning of the year.

As of 31 December 2019, management expected that the contract amounts allocated to unsatisfied performance obligations of RMB 174.41 billion would be recognised as revenue during the reporting period of 2020 and the contract amounts of RMB 108.56 billion would be recognised as revenue in or after the reporting period of 2021.

**(iii) Assets recognised from costs to obtain a contract**

The Group has recognised the sales commissions directly attributable to obtaining a contract as contract assets in the balance sheet. These assets will be amortised as selling expenses in line with relevant revenue recognition. Sales commissions totalled RMB1.42 billion recognised as contract assets during the year and RMB0.32 billion has been amortised in current reporting period. Management expects that the majority of the contract assets will be recognised during the next reporting period.

## 8 Property, plant and equipment

| | Note | Buildings and equipment RMB'000 | Vehicles RMB'000 | Furniture and office equipment RMB'000 | Leasehold Improvements RMB'000 | Construction in progress RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|
| **At 1 January 2018** | | | | | | | |
| Cost | | 21,987,326 | 112,827 | 227,274 | 208,665 | 17,058,907 | 39,594,999 |
| Accumulated depreciation | | (244,722) | (44,051) | (2,181) | (41,425) | — | (332,379) |
| Net book amount | | 21,742,604 | 68,776 | 225,093 | 167,240 | 17,058,907 | 39,262,620 |
| **Year ended 31 December 2018** | | | | | | | |
| At 1 January 2018 | | 21,742,604 | 68,776 | 225,093 | 167,240 | 17,058,907 | 39,262,620 |
| Additions | | 1,046,430 | 42,230 | 194,078 | 88,405 | 8,023,587 | 9,394,730 |
| Transfers | | 4,745,309 | — | — | — | (4,745,309) | — |
| Transfer to investment properties | 9 | (324,677) | — | — | — | — | (324,677) |
| Acquisition of subsidiaries | | 85,256 | 2,929 | 8,347 | 4,619 | 1,681,744 | 1,782,895 |
| Disposal of subsidiaries | | — | — | (2,809) | — | — | (2,809) |
| Disposals | | (22,858) | (4,263) | (29,758) | (603) | — | (57,482) |
| Depreciation charges | | (664,386) | (30,008) | (87,160) | (49,418) | — | (830,972) |
| At 31 December 2018 | | 26,607,678 | 79,664 | 307,791 | 210,243 | 22,018,929 | 49,224,305 |
| **At 31 December 2018** | | | | | | | |
| Cost | | 27,516,754 | 149,880 | 374,827 | 301,086 | 22,018,929 | 50,361,476 |
| Accumulated depreciation | | (909,076) | (70,216) | (67,036) | (90,843) | — | (1,137,171) |
| Net book amount | | 26,607,678 | 79,664 | 307,791 | 210,243 | 22,018,929 | 49,224,305 |
| **Year ended 31 December 2019** | | | | | | | |
| At 1 January 2019 | | **26,607,678** | **79,664** | **307,791** | **210,243** | **22,018,929** | **49,224,305** |
| Additions | | **444,150** | **50,825** | **216,339** | **265,847** | **16,998,846** | **17,976,007** |
| Transfer from CPHFS | | **110,846** | — | — | — | — | **110,846** |
| Transfers | | **22,303,063** | — | — | — | **(22,303,063)** | — |
| Acquisition of subsidiaries | 43(B) | **6,354,143** | **8,257** | **45,444** | **7,766** | **1,405,487** | **7,821,097** |
| Transfer to assets classified as held for sale | 21 | **(3,799,700)** | — | — | — | — | **(3,799,700)** |
| Disposal of subsidiaries | 44 | — | — | **(24)** | — | — | **(24)** |
| Disposals | | — | **(4,832)** | **(24,976)** | — | — | **(29,808)** |
| Depreciation charges | | **(998,213)** | **(34,779)** | **(121,643)** | **(46,309)** | — | **(1,200,944)** |
| At 31 December 2019 | | **51,021,967** | **99,135** | **422,931** | **437,547** | **18,120,199** | **70,101,779** |
| **At 31 December 2019** | | | | | | | |
| Cost | | **52,929,256** | **188,790** | **598,781** | **574,699** | **18,120,199** | **72,411,725** |
| Accumulated depreciation | | **(1,907,289)** | **(89,655)** | **(175,850)** | **(137,152)** | — | **(2,309,946)** |
| Net book amount | | **51,021,967** | **99,135** | **422,931** | **437,547** | **18,120,199** | **70,101,779** |

## 8 Property, plant and equipment *(Continued)*

Depreciation expense of RMB895 million (2018: RMB602 million) has been charged to "cost of sales", RMB46 million (2018: RMB70 million) in "selling and marketing costs" and RMB260 million (2018: RMB159 million) in "administrative expenses".

### (I) NON-CURRENT ASSETS PLEDGED AS SECURITY

Refer to note 40 for information on non-current assets pledged as security by the Group.

### (II) CONTRACTUAL OBLIGATIONS

Refer to note 38 for disclosure of contractual obligations to purchase, construct or develop buildings.

## 9 Investment properties

Office buildings, shopping malls and commercial properties at fair value:

| | Note | Completed Investment properties RMB'000 | Investment properties under development RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| At 1 January 2018 | | 8,835,107 | 3,986,504 | 12,821,611 |
| Additions | | — | 1,852,280 | 1,852,280 |
| Fair value changes | | (31,671) | 234,842 | 203,171 |
| Transfer from PP&E | 8 | 324,677 | — | 324,677 |
| Transfer from CPHFS and PUD | | 886,000 | 108,000 | 994,000 |
| Transfers | | 2,010,000 | (2,010,000) | — |
| At 31 December 2018 | | 12,024,113 | 4,171,626 | 16,195,739 |
| At 1 January 2019 | | **12,024,113** | **4,171,626** | **16,195,739** |
| Additions | | — | **3,800,612** | **3,800,612** |
| Acquisition of subsidiaries | 43(B) | **6,092,000** | — | **6,092,000** |
| Fair value changes | 32 | **69,309** | **1,165,850** | **1,235,159** |
| Transfer to assets classified as held for sale | 21 | **(478,000)** | — | **(478,000)** |
| Transfers | | **8,017,088** | **(8,017,088)** | — |
| At 31 December 2019 | | **25,724,510** | **1,121,000** | **26,845,510** |

The Group's investment properties are all office building, shopping malls and commercial properties located in the PRC.

See note 5(B) for the valuation techniques and significant inputs used in fair value measurements of investment properties.

## 9 Investment properties *(Continued)*

### (I) AMOUNTS RECOGNISED IN PROFIT OR LOSS FOR INVESTMENT PROPERTIES

| | **2019** | 2018 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Rental income | **589,756** | 501,252 |
| Direct operating expenses from property that generated rental income | **(147,834)** | (78,263) |
| Fair value gain recognised in other income | **1,235,159** | 203,171 |

### (II) NON-CURRENT ASSETS PLEDGED AS SECURITY

Refer to note 40 for information on non-current assets pledged as security by the Group.

### (III) CONTRACTUAL OBLIGATIONS

Refer to note 38 for disclosure of contractual obligations to purchase construct or develop investment properties.

### (IV) LEASING ARRANGEMENTS

The investment properties are leased to tenants under operating leases with rentals payable monthly. There are no significant variable lease payments that depend on an index or rate.

Although the Group is exposed to changes in the residual value at the end of the current leases, the Group typically enters into new operating leases and therefore will not immediately realise any reduction in residual value at the end of these leases. Expectations about the future residual values are reflected in the fair value of the properties.

Minimum lease payments receivable on leases of investment properties are as follows:

| | **2019** | 2018 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Within 1 year | **628,766** | 418,371 |
| Later than 1 year but no later than 5 years | **1,377,616** | 756,297 |
| Later than 5 years | **571,608** | 344,763 |
| | **2,577,990** | 1,519,431 |

## 10 Leases

This note provides information for leases where the Group is a lessee.

### (I) AMOUNTS RECOGNISED IN THE BALANCE SHEET

The balance sheet shows the following amounts relating to leases:

| | Land use rights RMB'000 | Properties RMB'000 | Vehicles RMB'000 | Total right-of-use assets RMB'000 |
|---|---|---|---|---|
| **1 January 2019 (note 3, note 11)** | **9,851,328** | **427,049** | **6,113** | **10,284,490** |
| Addition | **3,395,005** | **295,874** | **4,664** | **3,695,543** |
| Acquisition of subsidiaries (note 43(B)) | **1,603,209** | — | — | **1,603,209** |
| Transfer to assets classified as held for sale (note 21) | **(123,300)** | — | — | **(123,300)** |
| Depreciation | **(378,315)** | **(159,363)** | **(4,223)** | **(541,901)** |
| **31 December 2019** | **14,347,927** | **563,560** | **6,554** | **14,918,041** |

| | 31 December 2019 RMB'000 | 1 January 2019 RMB'000 | 31 December 2018 RMB'000 |
|---|---|---|---|
| **Lease liabilities** | | | |
| Current | **176,499** | **151,304** | — |
| Non-current | **436,848** | **281,858** | — |
| Total lease liabilities | **613,347** | **433,162** | — |

For adjustments recognised on adoption of HKFRS 16 on 1 January 2019, please refer to note 3.

Depreciation expense of RMB343 million (2018:nil) has been charged to "administrative expenses" and RMB199 million (2018: nil) has been charged to "cost of sales".

## 10 Leases *(Continued)*

### (II) AMOUNTS RECOGNISED IN THE STATEMENT OF PROFIT OR LOSS

The statement of profit or loss shows the following amounts relating to leases:

| | 2019<br>RMB'000 |
|---|---|
| **Depreciation charge of right-of-use assets** | |
| Land use rights | **(378,315)** |
| Properties | **(159,363)** |
| Vehicles | **(4,223)** |
| Total depreciation charge of right-of-use assets | **(541,901)** |
| Interest expense (included in finance cost) | **61,391** |
| Expense relating to short-term leases (included in cost of goods sold and administrative expenses) | **73,953** |
| Expense relating to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses) | **138** |
| Expense relating to variable lease payments not included in lease liabilities (included in administrative expenses) | — |

The total cash outflow for leases in 2019 was RMB255.83 million.

### (III) THE GROUP'S LEASING ACTIVITIES AND HOW THESE ARE ACCOUNTED FOR

The Group obtained land use rights from the mainland China government with fixed period of 40 years. Beside this, the Group leases various offices and vehicles. Rental contracts are typically made for fixed periods of 1 to 15 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

## 11 Intangible assets (Land use rights and intangible assets 2018)

| | Land use rights | Intangible assets | | |
|---|---|---|---|---|
| | | Goodwill (A) | Others | Total |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **At 1 January 2018** | | | | |
| Cost | 2,818,800 | 906,791 | 224,181 | 3,949,772 |
| Accumulated amortisation and impairment | (21,099) | (267,279) | (24,263) | (312,641) |
| Net book amount | 2,797,701 | 639,512 | 199,918 | 3,637,131 |
| **Year ended 31 December 2018** | | | | |
| Opening net book amount | 2,797,701 | 639,512 | 199,918 | 3,637,131 |
| Acquisition of subsidiaries | 20,124 | 4,654,913 | 211 | 4,675,248 |
| Additions | 7,150,880 | — | 1,300,119 | 8,450,999 |
| Disposals subsidiaries | — | (23,928) | — | (23,928) |
| Impairment charge | — | (189,020) | (368,431) | (557,451) |
| Amortisation charge | (117,377) | — | (43,815) | (161,192) |
| Closing net book amount | 9,851,328 | 5,081,477 | 1,088,002 | 16,020,807 |
| **At 31 December 2018** | | | | |
| Cost | 9,989,804 | 5,537,776 | 1,524,511 | 17,052,091 |
| Accumulated amortisation and impairment | (138,476) | (456,299) | (436,509) | (1,031,284) |
| Net book amount | 9,851,328 | 5,081,477 | 1,088,002 | 16,020,807 |
| Change in accounting policy (note 3, note 10) | (9,851,328) | — | — | (9,851,328) |
| Net book amount as at 1 January 2019, after the adoption of HKFRS 16 | — | 5,081,477 | 1,088,002 | 6,169,479 |
| **Year ended 31 December 2019** | | | | |
| Opening net book amount | — | **5,081,477** | **1,088,002** | **6,169,479** |
| Acquisition of subsidiaries (note 43) | — | **1,114,668** | **382,052** | **1,496,720** |
| Additions | — | — | **137,837** | **137,837** |
| Impairment charge | — | **(58,337)** | — | **(58,337)** |
| Amortisation charge | — | — | **(78,288)** | **(78,288)** |
| Closing net book amount | — | **6,137,808** | **1,529,603** | **7,667,411** |
| **At 31 December 2019** | | | | |
| Cost | — | **6,652,444** | **2,044,400** | **8,696,844** |
| Accumulated amortisation and impairment | — | **(514,636)** | **(514,797)** | **(1,029,433)** |
| Net book amount | — | **6,137,808** | **1,529,603** | **7,667,411** |

Amortisation expense of RMB13 million (2018: RMB1 million) in "selling and marketing costs" and RMB65 million (2018: RMB43 million) in "administrative expenses".

## 11 Intangible assets (Land use rights and intangible assets 2018) *(Continued)*

### (A) IMPAIRMENT TESTS FOR GOODWILL

Goodwill was generated from business combination and allocated to each project or a group of projects, which is expected to benefit from the synergies of the combination. Each project is identified as a CGU and the recoverable amount of a CGU is determined based on value-in-use method.

A segment-level summary of the goodwill allocation is presented below.

| | **31 December 2019 RMB'000** | 31 December 2018 RMB'000 |
|---|---|---|
| Cultural and tourism city construction and operation (i) | **4,392,488** | 4,392,488 |
| Property development (ii) | **732,805** | 655,379 |
| All other segments (iii) | **1,012,515** | 33,610 |
| | **6,137,808** | 5,081,477 |

(i) The goodwill allocated into segment of cultural and tourism city construction and operation was generated from acquisition of cultural and tourism management companies in 2018. Management monitors the goodwill on group of CGUs basis which expected to benefit from the synergies of this combination.

(ii) The goodwill allocated in property development segment generated from business combination of certain property development projects. Each property development project is identified as a CGU. Management reviews the business performance and monitors the goodwill on individual CGU basis.

(iii) The goodwill of all other segments included the goodwill generated from acquisition of Le Vision Pictures (Beijing) Co. Ltd and Beijing Dream Castle Culture Co., Ltd. Management reviews the business performance and monitors the goodwill on individual CGU basis.

(iv) The recoverable amount of a CGU used in goodwill impairment test is determined based on value-in-use method. The following table sets out the key assumptions for those CGUs that have significant goodwill allocated to them:

| **Assumption** | **Cultural and tourism city construction and operation** |
|---|---|
| **2019:** | |
| Revenue growth rate | **Start-up period: 10%-23%** |
| | **Stable period: 7%-11%** |
| Profit rate over the stable period | **44%-68%** |
| Long-term growth rate | **2.5%** |
| Pre-tax discount rates | **11.7%** |
| **2018:** | |
| Revenue growth rate | Start-up period: 9%-25% |
| | Stable period: 6%-10% |
| Profit rate over the stable period | 36%-71% |
| Long-term growth rate | 2.5% |
| Pre-tax discount rates | 11.6% |

## 11 Intangible assets (Land use rights and intangible assets 2018) *(Continued)*

### (A) IMPAIRMENT TESTS FOR GOODWILL *(Continued)*

Management has determined the values assigned to each of the above key assumptions as follows:

| | |
|---|---|
| Forecast period | Forecast period was determined based on the business model and current developing stage of individual CGUs. For cultural and tourism city construction and operation, the start-up period is the first seven-year period after the opening date and the stable period covers the eighth year to twenty-first year. |
| Revenue | Annual growth rate of revenue over the forecast period was based on past performance and management's expectations of market development. |
| Profit rate over the stable period | Profit rate over the stable period was estimated based on past performance and management's expectations for the future. |
| Long-term growth rate | This is the weighted average growth rate used to extrapolate cash flows beyond the forecast period. The rates are consistent with management's forecasts and industry information |
| Pre-tax discount rates | Reflect specific risks relating to the relevant segments and the industry in which they operate. |

Except for the goodwill allocated to cultural and tourism city construction and operation segment, there is no individual CGU for which the carrying amount of goodwill is significant in comparison with the total carrying amount of goodwill. The key assumptions used to determine the recoverable amount of each CGU include the future unit selling price, revenue growth rate, profit rate, long-term growth rate, estimated future costs to complete the project development and pre-tax discount rate. The range of pre-tax discount rate used for the analysis of each CGU in the operating entities is 20%-24.7% as at 31 December 2019 (2018 pre-tax discount rate: 20%).

The impairment charge of RMB58.34 million arose from a property development company which was in the completion stage of real estate development project. Except for the impairment project, the recoverable amount of above CGU or group CGUs are estimated to exceed the carrying amount at 31 December 2019.

If the revenue growth rates or profit rates used in the value-in-use calculation for the cultural and tourism city construction and operation CGUs have been 5% lower than management's estimation, the recoverable amounts would be still exceeding the carrying amount and there would be no impairment against goodwill allocated in this segment.

If the pre-tax discount rate applied to the cash flow projections of these CGUs changes to 12.3%, the recoverable amounts would be still exceeding the carrying amount and there would be no impairment against goodwill allocated in this segment.

The Directors and management have considered and assessed reasonably possible changes for other key assumptions and have not identified any instances that would have resulted in a significant impairment against the goodwill of the Group.

## 12 Investments accounted for using the equity method

The amounts recognised in the balance sheet are as follows:

| | **31 December 2019 RMB'000** | 31 December 2018 RMB'000 |
|---|---|---|
| Joint ventures | **60,049,425** | 40,009,448 |
| Associates | **28,944,867** | 25,487,378 |
| | **88,994,292** | 65,496,826 |

The share of profits from investment accounted for using the equity method recognised in the income statement were as follows:

| | **2019 RMB'000** | 2018 RMB'000 |
|---|---|---|
| Share of profits of joint ventures | **6,248,302** | 3,891,426 |
| Share of profits of associates | **1,735,221** | 930,385 |
| Gains from acquisitions of joint ventures | **162,798** | 134,183 |
| | **8,146,321** | 4,955,994 |

### 12.1 INVESTMENTS IN JOINT VENTURES

An analysis of the movement of equity investments in joint ventures is as follows:

| | **2019 RMB'000** | 2018 RMB'000 |
|---|---|---|
| At beginning of year | **40,009,448** | 32,302,811 |
| Additions: | | |
| – Capital contributions to joint ventures at establishment | **17,185,733** | 1,692,166 |
| – Acquisitions of joint ventures | **8,040,131** | 4,320,822 |
| – Additional investments in existing joint ventures | **2,059,983** | 410,208 |
| – Subsidiaries becoming joint ventures (note 44(A)) | — | 605,069 |
| – Acquisition from business combination (note 43) | **169,221** | — |
| Disposals: | | |
| – Disposal of investments in joint ventures | **(5,895,158)** | (407,729) |
| – Joint ventures becoming subsidiaries (note 43(A)) | **(1,514,622)** | (1,759,026) |
| Capital deduction of joint ventures | **(2,788,050)** | (476,266) |
| Share of profits of joint ventures, net | **6,248,302** | 3,891,426 |
| Dividends from joint ventures | **(3,465,563)** | (570,033) |
| At end of year | **60,049,425** | 40,009,448 |

Note:

(a) All joint ventures are non-listed companies. A joint venture named Summer Sky Investments Limited is incorporated in Hong Kong, all remaining joint ventures of the Group are incorporated in the PRC.

## 12 Investments accounted for using the equity method *(Continued)*

### 12.1 INVESTMENTS IN JOINT VENTURES *(Continued)*

(i) The following table lists the principal joint ventures of the Group as at 31 December 2019 and 2018:

| | | % of ownership interest | | |
|---|---|---|---|---|
| Name of joint ventures | **Registered capital (RMB' million)** | **31 December 2019** | 31 December 2018 | **Principal activities** |
| Shandong Rongjian Real Estate Co., Ltd. | 100 | 50% | 50% | Real estate development |
| Xi'an Sunac Tianlang Real Estate Co., Ltd. | 100 | 56% | 56% | Real estate development |
| Xianyang Sunac Yihe Real Estate Co., Ltd. | 100 | 50% | 50% | Real estate development |
| Tianjin Sunac Xingchen Investment Co., Ltd. | 1,000 | 70% | 70% | Real estate development |
| Wuhan Shizheng Sunac Real Estate Co., Ltd. | 1,000 | 69% | 69% | Real estate development |

The Group's control over decisions about the relevant activities requires unanimous consent with other equity investment partners in the joint ventures in accordance with the joint ventures' articles of associations.

The entities listed above have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

(ii) Commitments in respect of joint ventures

| | **31 December 2019 RMB'000** | 31 December 2018 RMB'000 |
|---|---|---|
| **Commitments – joint ventures** | | |
| Commitment to provide funding for joint venture's capital commitments | **1,484,330** | 2,180,180 |

## 12 Investments accounted for using the equity method *(Continued)*

### 12.1 INVESTMENTS IN JOINT VENTURES *(Continued)*

(iii) Summarised financial information of material joint venture

Set out below is the summarised financial information for the material joint venture.

| | Joint venture – A | |
|---|---|---|
| | **31 December 2019 RMB'000** | 31 December 2018 RMB'000 |
| **Summarised balance sheet** | | |
| Current assets | | |
| Cash and cash equivalents | **530,090** | 410,106 |
| Other current assets | **27,470,342** | 21,012,431 |
| Total current assets | **28,000,432** | 21,422,537 |
| Non-current assets | **251,859** | 126,117 |
| Current liabilities | | |
| Financial liabilities (excluding trade payables) | **3,381,176** | 456,000 |
| Other current liabilities | **22,096,633** | 16,609,180 |
| Total current liabilities | **25,477,809** | 17,065,180 |
| Non-current liabilities | | |
| Financial liabilities (excluding trade payables) | **1,069,000** | 1,536,981 |
| Other non-current liabilities | **50,141** | 48,838 |
| Total non-current liabilities | **1,119,141** | 1,585,819 |
| **Net assets** | **1,655,341** | **2,897,655** |

## 12 Investments accounted for using the equity method *(Continued)*

### 12.1 INVESTMENTS IN JOINT VENTURES *(Continued)*

(iii) Summarised financial information of material joint venture *(Continued)*

| | Joint venture – A | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| **Reconciliation to carrying amounts:** | | |
| Opening net assets 1 January | **2,897,655** | 1,120,175 |
| Profit for the period | **1,101,826** | 1,777,480 |
| Dividends paid | **(2,344,140)** | — |
| Closing net assets | **1,655,341** | 2,897,655 |
| Group's share in % | **60%** | 60% |
| Goodwill | — | — |
| Carrying amount | **993,205** | 1,738,593 |
| Revenue | **4,971,929** | 7,479,065 |
| Interest income | **46,762** | 14,896 |
| Depreciation and amortisation | — | — |
| Interest expense | **2,151** | 6,450 |
| Income tax expense | **907,265** | 1,112,946 |
| **Profit for the period** | **1,101,826** | 1,777,480 |
| Dividends received from joint venture | **1,406,484** | — |

Note: Pursuant to the article of association of this joint venture, the Group would share the 60% equity interest of the company.

The information above reflects the amounts presented in the financial statements of the joint venture, adjusted for differences in accounting policies between the Group and the joint venture, and not the Company's share of those amounts.

(iv) Aggregate information of joint ventures that are not individually material:

| | **31 December 2019** | 31 December 2018 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Aggregate carrying amount of the Group's interests in these joint ventures | **59,056,220** | 38,270,855 |

| | **2019** | 2018 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| The Group's share of post-tax profits, net | **5,587,206** | 2,824,938 |
| The Group's share of total comprehensive income | **5,587,206** | 2,824,938 |

## 12 Investments accounted for using the equity method *(Continued)*

### 12.2 INVESTMENTS IN ASSOCIATES

An analysis of the movement of equity investments in associates is as follows:

| | **2019** | 2018 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| At beginning of year | **25,487,378** | 26,310,410 |
| Additions: | | |
| – Capital contribution to associates at establishment | **1,783,037** | 274,992 |
| – Acquisitions of associates | **758,427** | 202,040 |
| – Additional investments in existing associates | **28,675** | 2,552,371 |
| – Subsidiaries becoming associates (note 44(A)) | **263,259** | — |
| – Acquisition from business combination (note 43(B)) | **3,389,160** | — |
| Disposals: | | |
| – Disposal of investments in associates | — | (3,010,003) |
| – Associates becoming subsidiaries (note 43(A)) | **(1,585,585)** | (575,519) |
| Capital deduction of associates | **(1,427,786)** | — |
| Impairment provisions for investments in associates | **(766,475)** | (404,047) |
| Share of profits of associates, net | **1,735,221** | 930,385 |
| Dividends from associates | **(720,444)** | (793,251) |
| At end of year | **28,944,867** | 25,487,378 |

Note:

(a) All associates of the Group are incorporated in the PRC. Except for Jinke Property Group Co., Ltd. ("Jinke Property") which is listed on the Shenzhen Stock Exchange, the remaining associates of the Group are non-listed companies.

(i) As at 31 December 2019 and 2018, the Group had interests in the following principal associates:

| | | **% of ownership interest** | | |
|---|---|---|---|---|
| Name of associates | **Registered capital (RMB million)** | **31 December 2019** | 31 December 2018 | **Principal activities** |
| Jinke Property | 5,343 | 29% | 29% | Real estate development |
| Tianjin Xingyao Investment Co., Ltd.* | 3,490 | 75% | 75% | Real estate development |
| Wuhan Xincheng International Expo Center Co., Ltd. | 500 | 30% | - | Real estate development |
| Tianjin Lvcheng Quanyuncun Construction Development Co., Ltd. | 2,500 | 39% | 39% | Real estate development |
| Shanghai Fuyuan Binjiang Development Co., Ltd. | 1,320 | 47% | 47% | Real estate development |

## 12 Investments accounted for using the equity method *(Continued)*

### 12.2 INVESTMENTS IN ASSOCIATES *(Continued)*

(i) As at 31 December 2019 and 2018, the Group had interests in the following principal associates: *(Continued)*

The entities listed above have share capital consisting solely of ordinary shares, which are held directly by the group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

* In accordance with the articles of association of Tianjin Xingyao, the Group cannot make absolute decision on the relevant activities of Tianjin Xingyao and Tianjin Xingyao became a 75% owned associate of the Group.

(ii) Contingent liabilities in respect of associates

| | **31 December 2019 RMB'000** | 31 December 2018 RMB'000 |
|---|---|---|
| **Contingent liabilities – associates** | | |
| Share of contingent liabilities incurred jointly with other investors of the associate | **6,325,932** | 6,305,882 |

(iii) Summarised financial information of material associate

Set out below is the summarised financial information for the material associate.

| | **Associate – A** | |
|---|---|---|
| | **31 December 2019 RMB'000** | 31 December 2018 RMB'000 |
| **Summarised assets and liabilities** | | |
| Current assets | **29,705,845** | 39,721,943 |
| Non-current assets | **707,181** | 664,167 |
| Current liabilities | **13,092,543** | 23,281,670 |
| Non-current liabilities | **11,025,716** | 10,541,991 |
| Equity attributable to equity holders of the associate | **6,294,767** | 6,562,449 |

| | **Associate – A** | |
|---|---|---|
| | **2019 RMB'000** | 2018 RMB'000 |
| **Summarised profit or loss and other comprehensive income** | | |
| Revenue | **911,273** | 685,017 |
| Net (loss)/profit attributable to equity holders of the associate | **(267,682)** | 5,133 |
| Total comprehensive (loss)/income attributable to equity holders of the associate | **(267,682)** | 5,133 |

The information above reflects the amounts presented in the financial statements of the associate, adjusted for differences in accounting policies between the Group and the associate, and not the Company's share of those amounts.

## 12 Investments accounted for using the equity method *(Continued)*

### 12.2 INVESTMENTS IN ASSOCIATES *(Continued)*

(iv) Reconciliation of summarised financial information

Reconciliation of the above financial information presented to the carrying amount of the Group's interests in the associates:

| | Associate – A | |
|---|---|---|
| | **31 December 2019 RMB'000** | 31 December 2018 RMB'000 |
| Equity attributable to equity holders of the associates | **6,294,767** | 6,562,449 |
| The Group's equity interest share | **75%** | 75% |
| Interest in the associate | **4,721,075** | 4,921,837 |
| Goodwill | **—** | — |
| Carrying amount | **4,721,075** | 4,921,837 |

Aggregate information of associates that are not individually material:

| | **31 December 2019 RMB'000** | 31 December 2018 RMB'000 |
|---|---|---|
| Aggregate carrying amount of the Group's interests in these associates | **24,223,792** | 20,565,541 |

| | **2019 RMB'000** | 2018 RMB'000 |
|---|---|---|
| The Group's share of post-tax profits, net | **1,935,983** | 926,535 |
| The Group's share of total comprehensive income | **1,935,983** | 926,535 |

## 13 Deferred income tax

### (I) DEFERRED TAX ASSETS

| | **31 December 2019 RMB'000** | 31 December 2018 RMB'000 |
|---|---|---|
| Deferred tax assets (hereafter "DTA"): | | |
| – to be recovered within 12 months | **3,401,978** | 2,636,636 |
| – to be recovered after more than 12 months | **9,918,488** | 4,929,870 |
| Set-off of deferred tax liabilities pursuant to set-off provisions | **(4,735,154)** | (4,581,766) |
| Net DTA | **8,585,312** | 2,984,740 |

The movement on DTA during the year, without taking into consideration of offsetting of balance within the same tax jurisdiction, is as follows:

| **Movements** | **Unpaid LAT RMB'000** | **Deductible tax loss RMB'000** | **Impairment provision RMB'000** | **Accruals expenses for tax purpose RMB'000** | **Fair value change RMB'000** | **Total RMB'000** |
|---|---|---|---|---|---|---|
| At 1 January 2018 | 2,112,906 | 2,638,229 | 134,272 | 232,844 | — | 5,118,251 |
| Adjustment on adoption of HKFRS 9 | — | — | 23,824 | — | — | 23,824 |
| At 1 January 2018 | 2,112,906 | 2,638,229 | 158,096 | 232,844 | — | 5,142,075 |
| Credited to profit or loss | 1,799,792 | 179,099 | 147,807 | 9,504 | 167,912 | 2,304,114 |
| Acquisition of subsidiaries | 7,005 | 194,876 | — | 5,580 | — | 207,461 |
| Disposal of subsidiaries | (2,119) | (84,685) | — | (340) | — | (87,144) |
| At 31 December 2018 | 3,917,584 | 2,927,519 | 305,903 | 247,588 | 167,912 | 7,566,506 |
| At 1 January 2019 | **3,917,584** | **2,927,519** | **305,903** | **247,588** | **167,912** | **7,566,506** |
| Credited/(charged) to profit or loss | **1,562,656** | **2,329,929** | **1,204,380** | **66,811** | **(60,567)** | **5,103,209** |
| Acquisition of subsidiaries (note 43) | **82,415** | **298,487** | **264,247** | **29,276** | — | **674,425** |
| Disposal of subsidiaries (note 44) | — | **(21,739)** | — | **(1,935)** | — | **(23,674)** |
| At 31 December 2019 | **5,562,655** | **5,534,196** | **1,774,530** | **341,740** | **107,345** | **13,320,466** |

## 13 Deferred income tax *(Continued)*

### (II) DEFERRED TAX LIABILITIES

| | **31 December 2019 RMB'000** | 31 December 2018 RMB'000 |
|---|---|---|
| Deferred tax liabilities (hereafter "DTL"): | | |
| – to be settled within 12 months | **10,070,823** | 16,210,508 |
| – to be settled after more than 12 months | **33,199,079** | 21,754,698 |
| Set-off of deferred tax liabilities pursuant to set-off provisions | **(4,735,154)** | (4,581,766) |
| Net DTL | **38,534,748** | 33,383,440 |

The movement on DTL during the year, without taking into consideration of offsetting of balance within the same tax jurisdiction, is as follows:

| | **Deferred LAT** | **Deferred corporate income tax** | | | | | **Total** |
|---|---|---|---|---|---|---|---|
| **Movements** | **Fair value surplus at acquisitions RMB'000** | **Fair value surplus at acquisitions RMB'000** | **Fair value change RMB'000** | **Prepaid LAT RMB'000** | **Dividend tax for PRC entities' distributable profits RMB'000** | **Others RMB'000** | **RMB'000** |
| At 1 January 2018 | 22,366,422 | 13,855,983 | 25,756 | 806,623 | 648,173 | — | 37,702,957 |
| (Credited)/charged to profit or loss | — | (3,155,765) | 523,931 | 423,961 | 338,847 | 228,258 | (1,640,768) |
| Transfer to tax payable | (4,004,030) | — | — | — | — | — | (4,004,030) |
| Acquisition of subsidiaries | 3,261,067 | 3,129,940 | — | 61,575 | — | — | 6,452,582 |
| Disposal of subsidiaries | — | (545,535) | — | — | — | — | (545,535) |
| At 31 December 2018 | 21,623,459 | 13,284,623 | 549,687 | 1,292,159 | 987,020 | 228,258 | 37,965,206 |
| At 1 January 2019 | **21,623,459** | **13,284,623** | **549,687** | **1,292,159** | **987,020** | **228,258** | **37,965,206** |
| (Credited)/charged to profit or loss | **–** | **(2,759,324)** | **422,201** | **56,869** | **600,400** | **276,464** | **(1,403,390)** |
| Transfer to tax payable | **(3,656,757)** | **–** | **–** | **–** | **–** | **–** | **(3,656,757)** |
| Acquisition of subsidiaries (note 43) | **3,326,290** | **7,035,674** | **–** | **44,138** | **–** | **–** | **10,406,102** |
| Disposal of subsidiaries (note 44) | **–** | **(41,259)** | **–** | **–** | **–** | **–** | **(41,259)** |
| At 31 December 2019 | **21,292,992** | **17,519,714** | **971,888** | **1,393,166** | **1,587,420** | **504,722** | **43,269,902** |

## 14 Financial assets at fair value through profit or loss

| | **31 December 2019 RMB'000** | 31 December 2018 RMB'000 |
|---|---|---|
| Listed equity securities | **121,585** | 302,296 |
| Unlisted equity securities | **14,505,084** | 8,915,657 |
| Debt investment | **1,162,114** | 788,139 |
| | **15,788,783** | 10,006,092 |

For information about the methods and assumptions used in determining the fair value of financial assets at FVPL, please refer to note 5(A).

### (A) AMOUNTS RECOGNISED IN PROFIT OR LOSS

During the year, the following gains were recognised in profit or loss:

| | **31 December 2019 RMB'000** | 31 December 2018 RMB'000 |
|---|---|---|
| Fair value gains on financial assets at FVPL recognised in other income (note 32) | **780,859** | 888,871 |

## 15 Properties under development

| | **31 December 2019 RMB'000** | 31 December 2018 RMB'000 |
|---|---|---|
| Comprising: | | |
| Land use rights costs | **299,624,062** | 215,908,047 |
| Construction costs and capitalised expenditures | **81,116,520** | 52,109,584 |
| Capitalised finance costs | **46,372,059** | 24,158,377 |
| | **427,112,641** | 292,176,008 |
| Less: provision for loss on realisable values | **(329,263)** | (262,433) |
| | **426,783,378** | 291,913,575 |
| Including: To be completed within 12 months | **135,100,510** | 91,770,261 |
| To be completed after 12 months | **291,682,868** | 200,143,314 |
| | **426,783,378** | 291,913,575 |

## 15 Properties under development *(Continued)*

The properties under development are all located in the PRC.

RMB82.9 billion of costs to fulfil contracts carried forward from prior year was recognised as cost of good sales in the current reporting period.

At 31 December 2019, properties under development included the costs to fulfil contracts amounting to RMB112.1 billion.

Refer to note 40 for information on current assets pledged as security by the Group.

## 16 Completed properties held for sale

| | **31 December 2019 RMB'000** | 31 December 2018 RMB'000 |
|---|---|---|
| Completed properties held for sale | **56,867,520** | 48,341,719 |
| Less: provision for loss on realisable value | **(1,678,310)** | (1,005,454) |
| | **55,189,210** | 47,336,265 |

The completed properties held for sale are all located in the PRC.

RMB13.3 billion of costs to fulfil contracts carried forward from prior year was recognised as cost of good sales in the current reporting period.

At 31 December 2019, completed properties held for sale included the costs to fulfil contracts amounting to RMB19.7 billion.

Refer to note 40 for information on current assets pledged as security by the Group.

## 17 Trade and other receivables

| | **31 December 2019 RMB'000** | 31 December 2018 RMB'000 |
|---|---|---|
| Non-current - | | |
| Amounts due from construction customers (i) | **48,000** | 558,000 |
| Current - | | |
| Trade receivables from contracts with customers (ii) | **1,701,056** | 1,359,626 |
| Amounts due from non-controlling interests and their related parties (iii) | **17,831,141** | 11,532,705 |
| Notes receivables | **75,265** | 26,915 |
| Deposits receivables | **10,853,804** | 6,024,104 |
| Other receivables (iv) | **17,045,590** | 8,755,984 |
| | **47,506,856** | 27,699,334 |
| Less: loss allowance (vi) | **(352,532)** | (307,068) |
| | **47,154,324** | 27,392,266 |

As at 31 December 2019 and 2018, the carrying amounts of the Group's trade and other receivables were all denominated in RMB.

Notes:

(i) The balance carries interest rate at 8% per annum and is repayable within five years.

(ii) Taking into account of the credit terms agreed in the property sale contracts, the ageing analysis of trade receivables primarily arising from sales of properties is as follows:

| | **31 December 2019 RMB'000** | 31 December 2018 RMB'000 |
|---|---|---|
| Within 90 days | **1,126,438** | 750,092 |
| 91 – 180 days | **12,517** | 42,911 |
| 181 – 365 days | **211,952** | 145,901 |
| Over 365 days | **350,149** | 420,722 |
| | **1,701,056** | 1,359,626 |

(iii) The amounts due from non-controlling interests and their related parties are unsecured, interest free and have no fixed repayment terms.

(iv) Other receivables mainly included the cash advance for land use rights acquisition, payments on behalf of customers, interest receivables and amounts due from equity investment partners.

## 17 Trade and other receivables *(Continued)*

Notes: *(Continued)*

(v) Fair values of trade and other receivables

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value. For the non-current receivables, the variance between the fair values and their carrying amounts are immaterial.

(vi) Impairment and risk exposure

*Trade receivables and contract assets*

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. This resulted in an increase of the loss allowance on 31 December 2018 by RMB1.37 million to RMB17.81 million for trade receivables and contract assets. The loss allowance increased by RMB27.04 million to RMB44.85 million for trade receivables and contract assets during the current reporting period. Note 4.1(b) provides for details about the calculation of the allowance.

*Other receivables*

Other receivables are all considered to have low credit risk and the loss allowance recognised during the period was therefore limited to 12 months expected losses.

Information about the Group's exposure to credit risk, foreign currency risk and interest rate risk can be found in note 4.1.

## 18 Prepayments

| | **31 December 2019 RMB'000** | 31 December 2018 RMB'000 |
|---|---|---|
| Non-current - | | |
| Prepayments for equity transactions | **2,977,824** | 2,276,912 |
| Prepayments for purchase of PP&E | **40,274** | — |
| | **3,018,098** | 2,276,912 |
| Current - | | |
| Tax and surcharge | **2,189,970** | 6,295,757 |
| Prepayments for land use rights acquisitions | **10,202,070** | 2,459,932 |
| Prepayments for construction costs | **1,269,574** | 1,315,828 |
| Others | **1,001,226** | 342,859 |
| | **14,662,840** | 10,414,376 |

As at 31 December 2019 and 2018, the carrying amounts of the Group's prepayments were all denominated in RMB.

## 19 Restricted cash

| | **31 December 2019 RMB'000** | 31 December 2018 RMB'000 |
|---|---|---|
| Guarantee deposits as reserve for bank loans | **21,798,223** | 15,617,770 |
| Restricted cash from property pre-sale proceeds (i) | **17,578,004** | 17,062,937 |
| Guarantee deposits for bank acceptance | **4,125,338** | 3,764,298 |
| Guarantee deposits for mortgage | **1,372,470** | 2,405,005 |
| Restricted cash from equity transactions | **96,013** | 96,413 |
| Restricted cash from land use rights acquisitions | **527,874** | 2,491,978 |
| Others | **2,289,106** | 2,578,610 |
| | **47,787,028** | 44,017,011 |

Note:

(i) In certain subsidiaries of the Company, a portion of the proceeds from pre-sale of properties is saved as guarantee bank deposits in accordance with the municipal regulations and is released in line with certain development progress milestones.

## 20 Cash and cash equivalents

| | **31 December 2019 RMB'000** | 31 December 2018 RMB'000 |
|---|---|---|
| Cash on hand and demand deposit: | | |
| Denominated in RMB | **76,119,797** | 73,468,887 |
| Denominated in USD | **1,553,039** | 2,650,538 |
| Denominated in HKD | **270,825** | 61,616 |
| | **77,943,661** | 76,181,041 |

The conversion of RMB denominated balances into foreign currencies, and the remittance of foreign currencies-denominated bank balances and cash out of the PRC are subject to restrictive foreign exchange control rules and regulations.

The Group earns interest on cash at bank, at floating bank deposit rates and there was no bank overdraft in the Group.

## 21 Assets classified as held for sale

| | **31 December 2019 RMB'000** | 31 December 2018 RMB'000 |
|---|---|---|
| Non-current assets held for sale | | |
| PP&Es | **3,799,700** | — |
| Investment properties | **478,000** | — |
| Right-of-use assets | **123,300** | — |
| | **4,401,000** | — |

In 2019, the Group approved to sell several assets owned by a 51% subsidiary of the Group. The sale is expected to be completed in 2020.

## 22 Share capital

| | **Number of ordinary shares (thousands)** | **Shares capital HK$'000** | **Equivalent to RMB'000** |
|---|---|---|---|
| **Authorised:** | | | |
| At 1 January 2018, 31 December 2018 and 2019, HK$0.1 per share | 10,000,000 | 1,000,000 | |
| **Issued and fully paid:** | | | |
| As at 1 January 2018 | 4,396,454 | 439,646 | 377,608 |
| Shares issued upon exercise of employees' share options ((i), note 23) | 9,680 | 968 | 813 |
| **As at 31 December 2018** | 4,406,134 | 440,614 | 378,421 |
| Shares issued upon exercise of employees' share options ((i), note 23) | **45,795** | **4,580** | **3,918** |
| **As at 31 December 2019** | **4,451,929** | **445,194** | **382,339** |

Note:

(i) The Company adopted a Post-IPO Share Option Scheme (the "2011 Share Option Scheme") (note 23(A)(i)) on 29 April 2011 and a new Share Option Scheme (the "2014 Share Option Scheme") (note 23 (A)(ii)) on 19 May 2014 respectively.

## 23 Share-based payments

### (A) SHARE OPTION SCHEME

#### (i) 2011 Share Option Scheme

The 2011 Share Option Scheme was approved and adopted by all shareholders of the Company on the annual general meeting held on 29 April 2011 (the "2011 Share Option Scheme Adoption Date"). As at 31 December 2014, all the share options have been granted within the 2011 Share Option Scheme. The options are not conditional on the employees' performance target before an option can be exercised. The 2011 share options, once vested, shall be exercisable within a period of six years from the 2011 Share Option Scheme Adoption Date or the most recent anniversary of the 2011 Share Option Scheme Adoption Date.

#### (ii) 2014 Share Option Scheme

The 2014 Share Option Scheme was approved and adopted by the shareholders of the Company on the annual general meeting held on 19 May 2014 (the "2014 Share Option Scheme Adoption Date"). The maximum number of shares in respect of which options ("2014 Options") may be granted should not exceed 166,374,246 shares, representing 5% of the total number of shares in issue as at the 2014 Share Option Scheme Adoption Date. The options are to be granted during a grant period of three years from the 2014 Share Option Scheme Adoption Date. Such options will vest in accordance with the following schedule: 30% upon the grant, an additional 30% upon the first anniversary of the 2014 Share Option Scheme Adoption Date and additional 40% upon the second anniversary. The options are not conditional on the employees' performance target before an option can be exercised. The subscription price for each grant should be at least the higher of (a) the closing price of the shares as stated in the Hong Kong Stock Exchange's daily quotations sheets on the grant dates, (b) the average of the closing prices of the shares as stated in the Hong Kong Stock Exchange's daily quotation sheets for the five business days immediately preceding the grant date, and (c) the nominal value of the shares of the Company. The 2014 share options, once vested, shall be exercisable within a period of five years from the 2014 Share Option Scheme Adoption Date or the most recent anniversary of the 2014 Share Option Scheme Adoption Date.

The total expense recognised in the profit or loss for share options granted to directors and employees for the year ended 31 December 2019 was RMB117.02 million (2018: RMB291.04 million) (note 31).

The Group has no legal or constructive obligation to repurchase or settle all above mentioned options in cash.

## 23 Share-based payments *(Continued)*

### (A) SHARE OPTION SCHEME *(Continued)*

#### (ii) 2014 Share Option Scheme *(Continued)*

Movement in the share options and their related weighted-average exercise prices are as follows:

| | **2019** | | 2018 | |
|---|---|---|---|---|
| | **Average price in HK$ per share** | **Options (thousand)** | Average price in HK$ per share | Options (thousand) |
| At beginning of year | **17.22** | **124,927** | 16.35 | 135,589 |
| Granted | — | — | — | — |
| Exercised* | **11.72** | **(45,795)** | 4.38 | (9,680) |
| Expired | **30.25** | **(492)** | 16.82 | (439) |
| Abandoned | **30.25** | **(1,112)** | 27.42 | (543) |
| At end of year | **20.20** | **77,528** | 17.22 | 124,927 |

* The weighted average share price at the date of exercise of options exercised during the year ended 31 December 2019 was HK$37.51.

As at 31 December 2019, 77,528 thousand shares of the 2014 Share Option Scheme were exercisable (31 December 2018: 8,794 thousand shares of the 2011 Share Option Scheme and 92,441 thousand shares of the 2014 Share Option Scheme were exercisable).

Share options outstanding at the end of the year have the following expiry date and exercise prices:

| **Expiry date** | **Exercise price in HK$ per share option** | **Number of share options (thousand)** | |
|---|---|---|---|
| | | **2019** | 2018 |
| 28 April 2018 | 2.33 | — | — |
| 28 April 2019 | 6.32 | — | 8,794 |
| 5 June 2019 | 4.07 | — | 9,491 |
| 9 July 2020 | 7.27 | **12,976** | 19,737 |
| 20 June 2021 | 4.62 | **18,705** | 27,840 |
| 22 Dec 2022 | 30.25 | **45,847** | 59,065 |
| | | **77,528** | 124,927 |

## 23 Share-based payments *(Continued)*

### (B) SHARE AWARD SCHEME

A share award scheme under which shares may be granted to eligible employees for no cash consideration was approved by the board of directors of the Company on 8 May 2018 (the "Share Award Scheme"). Pursuant to the rules relating to the Share Award Scheme, the Company entrusted a trustee to purchase existing ordinary shares in the open market based on this Share Award Scheme. The trustee will hold such shares on behalf of the relevant selected employees on trust, until such shares are vested with the relevant selected employees in accordance with the scheme rules.

The following table presents the movement in shares that held by the trustee for the purpose of issuing shares under Share Award Scheme. Shares issued to employees are recognised on a first-in-first-out basis.

| Details | Number of shares (thousand) | HKD'000 | Equivalent to RMB'000 |
|---|---|---|---|
| **Opening balance 1 January 2018** | — | — | — |
| Purchase of shares for share award scheme | 66,649 | 1,673,350 | 1,464,565 |
| **Balance 31 December 2018** | 66,649 | 1,673,350 | 1,464,565 |
| Purchase of shares for share award scheme | 28,004 | 808,107 | 716,306 |
| Employee share scheme issue | — | — | — |
| **Balance 31 December 2019** | **94,653** | **2,481,457** | **2,180,871** |

For the year ended 31 December 2019, 21,040 thousand shares in connection with the Share Award Scheme have been granted to the eligible employees for no cash consideration. 30% of these shares vested immediately at grant date, 30% of these shares vest after one year from the grant date and remaining 40% of shares vest after two years from the grant date. The eligible employees do not receive any dividends and are not entitled to vote in relation to the shares till after one year from the vesting date (the "Waiting Period").

The fair value of the rights at grant date was estimated by taking the market price of the Company's shares on that date less the present value of expected dividends that will not be received by the eligible employees on their rights during the Waiting Period.

## 23 Share-based payments (Continued)

### (B) SHARE AWARD SCHEME (Continued)

The following table shows the shares granted and outstanding at the beginning and end of the reporting period:

| | Number of share options (thousand) | |
|---|---|---|
| | **2019** | 2018 |
| As at 1 January | — | — |
| Granted during the year | 21,040 | — |
| Vested during the year | (6,312) | — |
| Forfeited during the year | (378) | — |
| As at 31 December | 14,350 | — |
| Weighted average remaining contractual life of the deferred shares outstanding at end of period | 1.35 years | — |

The total expense recognised in the profit or loss for the Share Award Scheme granted to employees for the year ended 31 December 2019 was RMB460.97 million.

## 24 Reserves

| | Note | Share premium RMB'000 | Share option reserve RMB'000 | Other RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| **Year ended 31 December 2018** | | | | | |
| At 1 January 2018 | | 12,959,681 | 469,935 | 3,219,836 | 16,649,452 |
| Transaction with non-controlling interests | | — | — | (129,860) | (129,860) |
| Employees share option schemes: | | | | | |
| – Value of employee services | 31 | — | 291,035 | — | 291,035 |
| – Exercise of employees' share options | | 42,277 | — | — | 42,277 |
| Purchase of shares for share award scheme | | (1,464,565) | — | — | (1,464,565) |
| Statutory reserve | (I) | — | — | 1,072,037 | 1,072,037 |
| Dividends relating to 2017 | | (2,200,773) | — | — | (2,200,773) |
| At 31 December 2018 | | 9,336,620 | 760,970 | 4,162,013 | 14,259,603 |

## 24 Reserves *(Continued)*

| | Note | Share premium RMB'000 | Share option reserve RMB'000 | Other RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| **Year ended 31 December 2019** | | | | | |
| At 1 January 2019 | | 9,336,620 | 760,970 | 4,162,013 | 14,259,603 |
| Transaction with non-controlling interests | 42 | — | — | 3,526,449 | 3,526,449 |
| Employees share option schemes: | | | | | |
| – Value of employee services | 31 | — | 117,021 | — | 117,021 |
| – Exercise of employees' share options | | 462,104 | — | — | 462,104 |
| Share award scheme | | | | | |
| – Value of employee services | 31 | — | 460,966 | — | 460,966 |
| Purchase of shares for share award scheme | 23(B) | (716,306) | — | — | (716,306) |
| Statutory reserve | (I) | — | — | 3,045,418 | 3,045,418 |
| Dividends relating to 2018 | 46 | (3,644,638) | — | — | (3,644,638) |
| At 31 December 2019 | | 5,437,780 | 1,338,957 | 10,733,880 | 17,510,617 |

### (I) STATUTORY RESERVES

In accordance with the relevant government regulations in the PRC and the provisions of the articles of association of the PRC companies now comprising the Group, 10% of its net profit as shown in the accounts prepared under PRC accounting regulations is required to be appropriated to statutory reserve, until the reserve reaches 50% of the registered capital. Appropriation of statutory reserve must be made before distribution of dividends to equity holders. This reserve shall only be used to make up losses; to expand the entities' production operation; or to increase the capital of the entities. Upon approval by a resolution of equity holders, the entities may convert this reserve into share capital, provided that the unconverted remaining amount of reserve is not less than 25% of the registered capital.

The PRC entities of the Group directly owned by the Group's entities outside the PRC are required, in accordance with relevant rules and regulations concerning foreign investment enterprise established in the PRC and the Articles of Association of these companies, to make appropriations from net profit to the reserve fund and staff and workers' bonus and welfare fund, after offsetting accumulated losses from prior years, and before profit distributions are made to investors. The percentage of profits to be appropriated to the above funds is solely determined by the board of directors of the PRC entities now comprising the Group. For those which are wholly foreign owned enterprises in the PRC, no less than 10% of the profit of each year to the reserve fund is mandatory. The appropriation of the statutory reserve ceases when the accumulated statutory reserve balance reaches 50% of their registered capital.

## 25 Perpetual capital securities

As at 31 December 2019, two perpetual bonds issued by the subsidiaries of the Group (the "Instrument Issuers") were still outstanding, of which principal and interests accrued totalling RMB2,789.5 million. One of these perpetual bonds contracts was guaranteed by Sunac Real Estate Group Co., Ltd. ("Sunac Real Estate", an indirect wholly owned subsidiary of the Company) and secured by the equity interests in a joint venture and a subsidiary. The perpetual bonds have no maturity date.

## 25 Perpetual capital securities *(Continued)*

The Instrument Issuers may elect to defer interest payment, and are not subject to any limit as to the number of times interest payment can be deferred. The perpetual bonds are callable by the Instrument Issuers.

As the perpetual bonds only impose contractual obligations on the Group to repay principal or to pay any distribution under certain circumstances, which are at Group's discretion, they have in substance offered the Group an unconditional right to avoid delivering cash or other financial asset to settle contractual obligation. Therefore, the net proceeds of the perpetual bonds are classified as capital instruments presented in the equity of the Group. The accrual of respective nominal interests according to the bond terms are treated as distribution to the holders of these perpetual capital instruments.

## 26 Trade and other payables

| | **31 December 2019 RMB'000** | 31 December 2018 RMB'000 |
|---|---|---|
| Non-current - | | |
| Other payables | **145,727** | 1,474,373 |
| Current - | | |
| Trade payables (i) | **55,330,723** | 35,933,716 |
| Un-paid considerations for equity acquisitions | **17,760,374** | 9,911,259 |
| Amounts due to non-controlling interests and their related parties (ii) | **6,707,954** | 5,546,634 |
| Notes payables | **11,245,291** | 5,650,538 |
| Payables for PP&E and investment properties | **16,375,300** | 10,939,331 |
| Other taxes payable | **3,275,245** | 4,349,916 |
| Interests payable | **4,013,493** | 2,901,451 |
| Payroll and welfare payables | **3,126,948** | 2,033,125 |
| Other payables (iii) | **29,298,603** | 15,520,383 |
| | **147,133,931** | 92,786,353 |

Note:

(i) At 31 December 2019, the ageing analysis of trade payables is performed based on the date of the liability recognition on accrual basis. The ageing analysis of the Group's trade payables is as follows:

| | **31 December 2019 RMB'000** | 31 December 2018 RMB'000 |
|---|---|---|
| Within 90 days | **23,229,998** | 13,604,385 |
| 91-180 days | **9,756,760** | 5,320,748 |
| 181-365 days | **10,800,372** | 9,037,798 |
| Over 365 days | **11,543,593** | 7,970,785 |
| | **55,330,723** | 35,933,716 |

(ii) The amounts due to non-controlling interests and their related parties are unsecured, interest free and repayable on demand.

(iii) Other payables mainly included deposits from customers, deed tax and maintenance funds received on behalf of customers and cash advanced from potential equity investment partners.

## 27 Borrowings

| | 31 December 2019 RMB'000 | 31 December 2018 RMB'000 |
|---|---|---|
| **Non-current** | | |
| Secured, | | |
| – Bank and other institution borrowings | **208,422,630** | 156,003,354 |
| – Senior notes (A) | **44,838,865** | 22,143,124 |
| – Asset-backed securities (D) | **5,668,328** | 2,890,353 |
| | **258,929,823** | 181,036,831 |
| Unsecured, | | |
| – Bank and other institution borrowings | **100,000** | 2,089,068 |
| – Corporate bonds (B) | **7,818,085** | 7,792,522 |
| – Private domestic corporate bonds (C) | **16,969,539** | 16,994,986 |
| | **24,887,624** | 26,876,576 |
| | **283,817,447** | 207,913,407 |
| Less: Current portion of non-current borrowings (E)(i) | **(97,275,345)** | (70,549,887) |
| | **186,542,102** | 137,363,520 |
| **Current** | | |
| Secured, | | |
| – Bank and other institution borrowings | **37,585,012** | 21,169,912 |
| – Asset-backed securities (D) | **262,600** | 311,755 |
| | **37,847,612** | 21,481,667 |
| Unsecured, | | |
| – Bank and other institution borrowings | **609,900** | 13,989 |
| | **38,457,512** | 21,495,656 |
| Current portion of non-current borrowings (E)(i) | **97,275,345** | 70,549,887 |
| | **135,732,857** | 92,045,543 |
| Total borrowings | **322,274,959** | 229,409,063 |

## 27 Borrowings *(Continued)*

### (A) SENIOR NOTES

The Company issued senior notes ("Senior Notes") on the Singapore Exchange Securities Trading Limited, payable semi-annually in arrears. As at 31 December 2019, the issue date, principal and interest rate of the outstanding Senior Notes were shown as below:

| Issue date | Maturity | Principal USD million | Interest rate |
|---|---|---|---|
| 8 August 2017 | 3 years | 400 | 6.875% |
| 8 August 2017 | 5 years | 600 | 7.95% |
| 19 April 2018 | 3.25 years | 650 | 7.35% |
| 19 April 2018 | 5 years | 450 | 8.35% |
| 27 July 2018 | 2 years | 400 | 8.625% |
| 29 November 2018 | 1.67 years | 350 | 8.625% |
| 15 January 2019 | 2 years | 600 | 8.375% |
| 15 February 2019 | 3 years | 800 | 7.875% |
| 25 March 2019 | 4 years | 200 | 8.35% |
| 11 April 2019 | 4.5 years | 750 | 7.95% |
| 14 June 2019 | 3 years | 600 | 7.25% |
| 1 November 2019 | 5 years | 650 | 7.50% |
| | | 6,450 | |

According to the term of the Senior Notes, at any time and from time to time on or after the redemption date set forth below, the Company may redeem the Senior Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interests, if any, to (but not including) the redemption date. The redemption prices are shown as below:

| Principal | Redemption time point | Redemption prices | Customary make-whole premium* |
|---|---|---|---|
| USD400 million | Prior to 8 August 2020 | | |
| | – Redemption up to 35% | 106.88% | greater of 1% of principal amount and PV of principal plus interest over the principal amount |
| | – Redemption in whole but not in part | 100%+ customary make-whole premium | |
| USD600 million | Prior to 8 August 2020 | | |
| | – Redemption up to 35% | 107.95% | greater of 1% of principal amount and PV of 103.98% principal plus interest over the principal amount |
| | – Redemption in whole but not in part | 100%+ customary make-whole premium | |
| | 8 August to 31 December 2020 | 103.98% | |
| | 2020 and beyond | 101.99% | |

## 27 Borrowings *(Continued)*

### (A) SENIOR NOTES *(Continued)*

| Principal | Redemption time point | Redemption prices | Customary make-whole premium* |
|---|---|---|---|
| USD650 million | Prior to 19 July 2020 | | |
| | – Redemption up to 35% | 107.35% | greater of 1% of principal amount and PV of 103.675% principal plus interest over the principal amount |
| | – Redemption in whole but not in part | 100%+ customary make-whole premium | |
| | After 19 July 2020 | 103.675% | |
| USD450 million | Prior to 19 April 2021 | | |
| | – Redemption up to 35% | 108.35% | greater of 1% of principal amount and PV of 104.175% principal plus interest over the principal amount |
| | – Redemption in whole but not in part | 100%+ customary make-whole premium | |
| | 19 April to 31 December 2021 | 104.175% | |
| | 2022 and afterwards | 102.0875% | |
| USD400 million | Prior to 27 July 2020 | | |
| | – Redemption up to 35% | 108.625% | greater of 1% of principal amount and PV of principal plus interest over the principal amount |
| | – Redemption in whole but not in part | 100%+ customary make-whole premium | |
| USD350 million | Prior to 27 July 2020 | | |
| | – Redemption up to 35% | 108.625% | greater of 1% of principal amount and PV of principal plus interest over the principal amount |
| | – Redemption in whole but not in part | 100%+ customary make-whole premium | |
| USD600 million | Prior to 15 January 2021 | | |
| | – Redemption up to 35% | 108.375% | greater of 1% of principal amount and PV of principal plus interest over the principal amount |
| | – Redemption in whole but not in part | 100%+ customary make-whole premium | |
| USD800 million | Prior to 15 February 2021 | | |
| | – Redemption up to 35% | 107.875% | greater of 1% of principal amount and PV of 102% principal plus interest over the principal amount |
| | – Redemption in whole but not in part | 100%+ customary make-whole premium | |
| | On or after 15 February 2021 | 102% | |

## 27 Borrowings *(Continued)*

### (A) SENIOR NOTES *(Continued)*

| Principal | Redemption time point | Redemption prices | Customary make-whole premium* |
|---|---|---|---|
| USD200 million | Prior to 19 April 2021 | | |
| | – Redemption up to 35% | 108.35% | greater of 1% of principal amount |
| | – Redemption in whole but not in part | 100%+ customary make-whole premium | and PV of 104.175% principal plus interest over the principal amount |
| | 19 April to 31 December 2021 | 104.175% | |
| | 2022 and afterwards | 102.0875% | |
| USD750 million | Prior to 11 October 2021 | | |
| | – Redemption up to 35% | 107.95% | greater of 1% of principal amount |
| | – Redemption in whole but not in part | 100%+ customary make-whole premium | and PV of 103.975% principal plus interest over the principal amount |
| | 11 October to 31 December 2021 | 103.975% | |
| | 2022 and afterwards | 101.988% | |
| USD600 million | Prior to 14 June 2021 | | |
| | – Redemption up to 35% | 107.25% | greater of 1% of principal amount |
| | – Redemption in whole but not in part | 100%+ customary make-whole premium | and PV of 103.625% principal plus interest over the principal amount |
| | On or after 14 June 2021 | 103.625% | |
| USD650 million | Prior to 1 February 2022 | | |
| | – Redemption up to 35% | 107.50% | greater of 1% of principal amount |
| | – Redemption in whole but not in part | 100%+ customary make-whole premium | and PV of 103% principal plus interest over the principal amount |
| | 1 February to 31 December 2022 | 103% | |
| | 2023 and afterwards | 101% | |

* PV of principal plus interest over the principal amount means the present value of the principal plus the accrued and unpaid interest amount for the period from the redemption date to the date of first redemption time point set out in above table over the principal amount at the redemption.

These early redemption options are regarded as embedded derivatives not closely related to the host contract. The Directors are of the view that the fair value of the above early redemption option is not material on initial recognition and as at 31 December 2019.

## 27 Borrowings *(Continued)*

### (B) CORPORATE BONDS

Sunac Real Estate issued corporate bonds (the "Corporate Bonds") on the Shanghai Stock Exchange, payable annually in arrears. The details of the outstanding Corporate Bonds are shown as below:

| Issue dates | Principal amount RMB'000 | Interest rate | Maturity |
|---|---|---|---|
| 15 August 2015 | 1,178,455 | 6.80% | 5 years |
| 15 August 2015 | 2,500,000 | 5.70% | 5 years |
| 1 September 2015 | 164,740 | 7.50% | 5 years |
| 16 August 2016 | 1,200,000 | 3.44% | 5 years |
| 16 August 2016 | 2,800,000 | 4.00% | 7 years |
| | 7,843,195 | | |

Except for the bond issued on 15 August 2015 with the interest rate of 5.7%, all the other Corporate Bonds are with the issuer's option to raise the coupon rate and the investors' option to sell back the bonds at the end of the third or fifth years.

The underwriting fees of the Corporate Bonds were charged at 0.3%~0.6% of the issue size.

The options embedded in the Corporate Bonds were not closely related to the host contracts and were recognised at fair value at the respective issue date and 31 December 2019 (note 28).

### (C) PRIVATE DOMESTIC CORPORATE BONDS

Sunac Real Estate issued private domestic corporate bonds (the "Private Bonds") on the Shanghai Stock Exchange and the Shenzhen Stock Exchange. The details are shown as below:

| Issue date | Principal amount RMB'000 | Interest rate | Maturity |
|---|---|---|---|
| 22 January 2016 | 5,000,000 | 6.39% | 7 years |
| 7 March 2016 | 3,500,000 | 5.40% | 5 years |
| 3 May 2016 | 2,700,000 | 5.85% | 6 years |
| 13 June 2016 | 2,300,000 | 5.45% | 6 years |
| 5 July 2017 | 1,000,000 | 6.50% | 3 years |
| 11 April 2018 | 500,000 | 9.50% | 3 years |
| 28 August 2018 | 1,000,000 | 7.50% | 3 years |
| 9 September 2018 | 1,010,000 | 7.50% | 3 years |
| | 17,010,000 | | |

## 27 Borrowings *(Continued)*

### (C) PRIVATE DOMESTIC CORPORATE BONDS *(Continued)*

Except for the bond issued in 2017 and the bond issued on 11 April 2018, all the other Private Bonds are with the issuer's option to raise the coupon rate and the investors' option to sell back the bonds at the end of the first, second, third or fifth years.

The options embedded were not closely related to the host contracts and were recognised at fair value at the issue date and 31 December 2019 (note 28).

### (D) ASSETS-BACKED SECURITIES

The Group entered into asset-backed special agreements with third-party financing institutions in the form of asset securitisation. These asset-backed securities are backed by the right of receipt of the property management service fee or the certain contract receivables rights of property sales. These securities are guaranteed by Sunac Real Estate. As at 31 December 2019, the details of the outstanding assets-backed securities are shown as below:

| Issue dates | Principal amount RMB'000 | Interest rate | Maturity |
|---|---|---|---|
| 27 November 2018 | 3,300,000 | 6.75% and 7.75% | 3 years |
| 10 January 2019 to 17 May 2019 | 183,600 | 13% | 1 year |
| 11 January 2019 to 24 May 2019 | 94,000 | 9.5% and 10% | 1 year |
| 01 March 2019 | 664,102 | 6.7% and 7% | 1-3 years |
| 29 April 2019 | 1,689,226 | 5.8% and 6.3% | 0.75-3 years |
| | 5,930,928 | | |

### (E) LONG-TERM BORROWINGS

(i) As at 31 December 2019, non-current borrowings included RMB70,814 million (2018: RMB56,533 million) that were relating to certain of the Group's property development projects, and will be due for repayment when the percentage of pre-sale has accumulatively achieved 20% – 80%, as determined on the gross floor area of the respective projects. Based on contractual maturity terms and the management's sales forecast, RMB28,269 million (2018: RMB18,758 million) of these borrowings will be due for repayment in the year ending 31 December 2020 and are included in current liabilities.

## 27 Borrowings *(Continued)*

### (E) LONG-TERM BORROWINGS *(Continued)*

(ii) The Group's long-term borrowings as at 31 December 2019 were repayable as follows:

| | **31 December 2019 RMB'000** | 31 December 2018 RMB'000 |
|---|---|---|
| Between 1 and 2 years | **105,422,304** | 75,952,364 |
| Between 2 and 5 years | **67,424,093** | 57,951,481 |
| Over 5 years | **13,695,705** | 3,459,675 |
| | **186,542,102** | 137,363,520 |

The weighted-average effective interest rates for the year ended 31 December 2019 was 8.56% (2018: 6.81%) per annum.

(iii) Fair value of financial liabilities is not measured at fair value on a recurring basis (but fair value disclosures are required).

The carrying amounts of bank borrowings, borrowings from other financial institutions and assets-backed securities approximate their fair values. The fair values of Senior Notes as at 31 December 2019 amounted to RMB46,642 million, which were calculated based on the market price of the traded senior notes at the balance sheet date. The fair values of Corporate Bonds and Private Bonds as at 31 December 2019 amounted to RMB26,496 million, which were calculated based on the active market price at the balance sheet date. The fair values of Senior Notes are within level 1 of the fair value hierarchy and the fair values of Corporate Bonds and Private Bonds are within level 2 of the fair value hierarchy.

(iv) The exposure of the Group's borrowings with variable interest rates to interest-rate changes and the contractual re-pricing dates are as follows:

| | **31 December 2019 RMB'000** | 31 December 2018 RMB'000 |
|---|---|---|
| 6 months or less | **20,325,095** | 14,673,606 |
| 7 – 12 months | **34,511,983** | 28,425,038 |
| Over 12 months | **18,297,802** | 16,791,121 |
| | **73,134,880** | 59,889,765 |

(v) As at 31 December 2019, the Group's borrowings of RMB296,777 million (2018: RMB202,518 million) were secured or joint secured by the Group's certain current assets, non-current assets and the equity interests of certain subsidiaries. See note 40 for detail information of assets pledged as security.

## 27 Borrowings *(Continued)*

### (F) THE CARRYING AMOUNTS OF THE GROUP'S BORROWINGS ARE DENOMINATED IN THE FOLLOWING CURRENCIES:

| | **31 December 2019 RMB'000** | 31 December 2018 RMB'000 |
|---|---|---|
| RMB | **263,391,650** | 200,786,348 |
| USD | **54,913,113** | 24,613,876 |
| HKD | **3,970,196** | 3,676,208 |
| EUR | — | 332,631 |
| | **322,274,959** | 229,409,063 |

## 28 Derivative financial instruments

| | **2019 RMB'000** | 2018 RMB'000 |
|---|---|---|
| Financial assets | | |
| – Currency derivative contracts (i) | **31,629** | 153,507 |
| – Option derivative contract | — | 125,817 |
| Financial liabilities | | |
| – Options embedded in Corporate Bonds and Private Bonds (note 27) | **14,189** | 57,411 |
| – Currency derivative contracts (i) | **169** | 36,115 |

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair values. The change of fair value is recognised immediately in profit or loss. For information about the methods and assumptions used in determining the fair value of derivatives please refer to note 5(A).

(i) As at 31 December 2019, the currency derivative contracts comprised various contracts with nominal amount totalling USD750 million (2018: USD1,050 million), the settlement dates of which are between 21 October 2021 and 22 June 2022. According to the contracts, the Group will be able to buy USD nominal amount at the agreed strike price with CNY on the settlement date.

## 29 Provisions

| | 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|
| Provisions for financial guarantee provided to related parties | **569,102** | 474,494 |
| Provisions for financial guarantee on mortgage | **193,235** | 136,475 |
| | **762,337** | 610,969 |

Note 4.1(b) provides for details about the calculation of the allowance for financial guarantee.

## 30 Expenses by nature

| | 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|
| Costs of properties sold | **118,521,462** | 88,643,224 |
| Value-added tax surcharges | **1,151,269** | 782,329 |
| Staff costs (note 31) | **6,832,377** | 5,485,416 |
| Provision for impairment of properties | **1,069,546** | 360,333 |
| Net impairment losses on financial and contract assets (note 4.1 (b)) | **1,894,122** | 3,485,395 |
| Advertisement and promotion costs | **3,196,231** | 2,496,145 |
| Professional service expenses | **1,104,436** | 906,501 |
| Depreciation and amortisation | **1,821,132** | 992,164 |
| Auditors' remunerations | | |
| – Audit services | **22,000** | 22,000 |
| – Non-audit services | **2,700** | 1,550 |

## 31 Employee benefit expense

| | 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|
| Wages and salaries | **5,142,964** | 4,210,817 |
| Pension costs | **696,362** | 603,596 |
| Staff welfare | **415,064** | 379,968 |
| Share options granted to directors and employees (note 24) | **117,021** | 291,035 |
| Share award granted to directors and employees (note 24) | **460,966** | — |
| | **6,832,377** | 5,485,416 |

## 32 Other income and gains

| | 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|
| Gains from business combination (note 43) | **4,612,713** | 5,346,752 |
| Interest income (i) | **4,835,206** | 2,933,793 |
| Gains from disposals of subsidiaries (note 44) | **15,550** | 637,195 |
| Net fair value gains on financial assets at FVPL | **780,859** | 888,871 |
| Fair value gains on derivative financial instruments | **50,446** | 332,644 |
| Net fair value gains on investment properties (note 9) | **1,235,159** | 208,988 |
| Others | **2,658,029** | 1,499,848 |
| | **14,187,962** | 11,848,091 |

(i) Details of interest income are as follows:

| | 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|
| Interest income from related companies (note 45) | **4,553,424** | 2,780,430 |
| Other interest income | **281,782** | 153,363 |
| | **4,835,206** | 2,933,793 |

## 33 Other expenses and losses

| | 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|
| Impairment provisions for investments in associates | **766,475** | 404,047 |
| Impairment provisions for goodwill | **58,337** | 189,020 |
| Losses on derivative financial instruments | **68,426** | — |
| Re-measurement losses of previously held interests in business combination | — | 119,632 |
| Contracts termination expenses | — | 498,570 |
| Impairment provisions for other intangible assets | — | 368,431 |
| Others | **328,895** | 406,411 |
| | **1,222,133** | 1,986,111 |

## 34 Finance income and expenses

| | 2019<br>RMB'000 | 2018<br>RMB'000 |
|---|---|---|
| Interest expenses | **25,955,887** | 14,623,745 |
| Interest expenses for lease liabilities | **61,391** | — |
| Less: capitalised finance costs | **(22,087,063)** | (12,936,990) |
| | **3,930,215** | 1,686,755 |
| Exchange losses | **878,035** | 1,206,738 |
| | **4,808,250** | 2,893,493 |
| Finance income: | | |
| – Interest income on bank deposits | **(1,183,244)** | (806,208) |
| | **3,625,006** | 2,087,285 |

The capitalisation rate used to determine the amount of the interests incurred eligible for capitalisation in 2019 was 8.11% (2018: 6.81%) per annum.

## 35 Income tax expenses

| | 2019<br>RMB'000 | 2018<br>RMB'000 |
|---|---|---|
| Corporate income tax ("CIT") | | |
| Current income tax | **13,696,078** | 10,066,909 |
| Deferred income tax | | |
| – Increase in deferred tax assets (note 13) | **(5,103,209)** | (2,304,114) |
| – Decrease in deferred tax liabilities (note 13) | **(1,403,390)** | (1,640,768) |
| | **7,189,479** | 6,122,027 |
| Land appreciation tax ("LAT") | **7,200,786** | 5,097,202 |
| | **14,390,265** | 11,219,229 |

## 35 Income tax expenses *(Continued)*

### (A) CIT

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted-average tax rate applicable to profits of the consolidated entities as follows:

| | **2019** | 2018 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Profit before income tax | **42,546,323** | 28,664,230 |
| Income tax calculated at the PRC tax rate 25% (2018: 25%) | **10,636,581** | 7,166,058 |
| Difference in overseas tax rates | **1,002,898** | 652,443 |
| Difference in tax rates change | **(368,065)** | (80,351) |
| LAT | **(1,800,196)** | (1,274,301) |
| Tax effect of amounts which are not deductible in calculating taxable income: | | |
| – Entertainment expenses | **139,870** | 74,730 |
| – Staff welfare | **4,831** | 7,198 |
| – Penalty | **1,127** | 7,307 |
| – Re-measurement losses of previously held interests in business combination | **–** | 29,908 |
| – Others | **103,313** | 174,935 |
| Tax effect of amounts which are not taxable in calculating taxable income: | | |
| – Gains from business combination | **(1,153,178)** | (1,336,688) |
| – Gains from disposals of subsidiaries | **(3,888)** | (159,299) |
| – Gain from disposal of a joint venture | **(3,624)** | (1,859) |
| – Others | **(19,371)** | (71,666) |
| Share of profits of investments accounted for using equity method, net | **(2,036,580)** | (1,238,999) |
| Tax on losses for which no DTA were recognised | **74,802** | 459,912 |
| Tax on temporary differences for which no DTA were recognised | **248,182** | 1,176,597 |
| Utilisation of tax losses with no DTA recognition | **(237,623)** | (126,723) |
| Tax impact on temporary differences with no DTA or DTL recognition in previous years | **–** | 80,969 |
| Write-off of DTA | **–** | 243,009 |
| Dividends tax for distributable profits of PRC subsidiaries | **600,400** | 338,847 |
| | **7,189,479** | 6,122,027 |

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries or regions in which the Group operates.

Pursuant to the applicable rules and regulations of Cayman Islands and British Virgin Islands ("BVI"), the Company and the BVI subsidiaries of the Group are not subject to any income tax in those jurisdictions.

Income tax expense is recognised based on management's estimate of the weighted-average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the year ended 31 December 2019 was 25% (2018: 25%).

In accordance with the PRC Corporate Income Tax Law, a 10% withholding income tax is levied on dividends declared to foreign investors from the enterprises with foreign investments established in the PRC. The Group is therefore liable to withholding taxes on dividends distributable by those subsidiaries established in the PRC in respect of their earnings generated from 1 January 2008.

## 35 Income tax expenses *(Continued)*

### (B) TAX LOSSES

| | **31 December 2019 RMB'000** | 31 December 2018 RMB'000 |
|---|---|---|
| Unused tax losses for which no deferred tax asset has been recognised | **2,439,822** | 3,435,554 |
| Potential tax benefit | **609,956** | 858,889 |

DTA are recognised for tax losses carry-forward to the extent that the realisation of the related benefit through the taxable profits for the deduction periods according to the PRC tax laws and regulations is probable. Therefore, the Group did not recognise DTA of RMB610 million (2018: RMB859 million) in respect of accumulated losses amounting to RMB2,440 million (2018: RMB3,436 million) as the Group estimates that the related subsidiaries will not have sufficient tax income to utilise the tax deduction benefits in the future deduction period. Within these accumulated losses, amounts of RMB362 million, RMB303 million, RMB366 million, RMB1,109 million and RMB300 million, as at 31 December 2019 will expire respectively in 2020, 2021, 2022, 2023 and 2024.

### (C) UNRECOGNISED TEMPORARY DIFFERENCES

| | **31 December 2019 RMB'000** | 31 December 2018 RMB'000 |
|---|---|---|
| Temporary difference for which DTA have not been recognised | **17,486,349** | 16,493,620 |
| Unrecognised DTA | **4,371,587** | 4,123,405 |

As of 31 December 2019, the Group has deductible temporary differences of RMB17,486 million (2018: RMB16,494 million) in respect of which no DTA have been recognised as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

### (D) LAT

PRC LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including lease charges for land use rights and all property development expenditures. LAT is included in the income statement as income tax expense.

## 36 Earnings per share

### (A) BASIC

Basic earnings per share are calculated by dividing the profit attributable to owners of the Company by the weighted-average number of ordinary shares in issue during the year, excluding shares purchased for the Share Award Scheme (note 23).

| | **2019** | 2018 |
|---|---|---|
| Profit attributable to owners of the Company (RMB'000) | **26,027,505** | 16,566,535 |
| Weighted-average number of ordinary shares in issue (thousand) | **4,433,303** | 4,402,505 |
| Adjusted for purchase of shares for share award scheme (thousand) | **(87,891)** | (26,025) |
| Weighted-average number of ordinary shares for basic earnings per share (thousand) | **4,345,412** | 4,376,480 |

### (B) DILUTED

Diluted earnings per share are calculated by adjusting the weighted-average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

| | **2019** | 2018 |
|---|---|---|
| Profit attributable to owners of the Company (RMB'000) | **26,027,505** | 16,566,535 |
| Weighted-average number of ordinary shares in issue (thousand) | **4,433,303** | 4,402,505 |
| Adjusted for purchase of shares for share award scheme (thousand) | **(87,891)** | (26,025) |
| Adjusted for share options and awarded shares (thousand) | **54,139** | 55,966 |
| Weighted-average number of ordinary shares for diluted earnings per share (thousand) | **4,399,551** | 4,432,446 |

The Company has two categories of dilutive potential ordinary shares:

(i) share options – the number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share for the year) for the same total proceeds is the number of shares issued for no consideration.

(ii) awarded shares – the number of shares granted under the Share Award Scheme less the number of shares that could have been issued at fair value (determined as the average market price per share for the year) for the proceeds equal to unamortised fair value is the number of shares issued for no consideration.

The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share.

## 37 Cash flow information

### (A) CASH GENERATED FROM OPERATIONS

| | Note | 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|---|
| Profit before income taxes | | **42,546,323** | 28,664,230 |
| Adjustments for: | | | |
| – Finance costs | | **25,808,952** | 13,905,896 |
| – Net gains from business combinations | 32 | **(4,612,713)** | (5,346,752) |
| – Net gains from disposals of subsidiaries | 32 | **(15,550)** | (637,195) |
| – Interest income | 32 | **(4,835,206)** | (2,933,793) |
| – Gain from disposal of joint ventures | | **(14,494)** | (7,434) |
| – Re-measurement losses of previously held interests in business combination | | **–** | 119,632 |
| – Fair value changes of FVPL | 32 | **(780,859)** | (888,871) |
| – Fair value changes and expense on derivative financial instruments | | **17,980** | (332,644) |
| – Fair value gains on investment properties | | **(1,235,159)** | (208,988) |
| – Impairment provisions of investments in an associate | 33 | **766,475** | 404,047 |
| – Impairment of other intangible assets | 33 | **–** | 368,431 |
| – Impairment of Goodwill | 33 | **58,337** | 189,020 |
| – Net impairment losses on financial and contract assets | | **1,894,122** | 3,485,395 |
| – Amortisation of intangible assets | 11 | **78,288** | 161,192 |
| – Depreciation | 8 | **1,742,845** | 830,972 |
| – Loss on disposal of PP&E | | **10,087** | 14,992 |
| – Share of profits of joint ventures and associates | 12 | **(7,983,523)** | (4,821,811) |
| – Value of employee services | 31 | **577,987** | 291,035 |
| – Gains from acquisitions of investments in joint ventures and associates | 12 | **(162,798)** | (134,183) |
| – Dividends from FVPL | | **(188,593)** | – |
| Changes in working capital | | | |
| – Restricted cash | | **2,395,232** | (13,388,308) |
| – Properties under development and completed properties held for sale, net | | **(95,612,991)** | 1,882,693 |
| – Inventories | | **(136,844)** | (4,196) |
| – Trade and other receivables and prepayments | | **(2,194,952)** | (9,310,746) |
| – Contract assets | | **(1,127,569)** | (668,427) |
| – Contract liabilities | | **35,132,609** | 47,554,775 |
| – Trade and other payables | | **44,142,631** | 4,732,377 |
| – Amount due from/to related companies, net | | **4,186,850** | (672,028) |
| Cash generated from operations | | **40,457,467** | 63,249,311 |

### (B) NON-CASH INVESTING AND FINANCING ACTIVITIES

Non-cash investing and financing activities disclosed in other notes are:

- Acquisition of right-of-use assets (note 10)
- Shares granted to employees under the Share Award Scheme for no cash consideration (note 23).

## 37 Cash flow information *(Continued)*

### (C) NET DEBT RECONCILIATION

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

| | Note | **2019** | 2018 |
|---|---|---|---|
| | | **RMB'000** | RMB'000 |
| Cash and cash equivalents | 20 | **77,943,661** | 76,181,041 |
| Borrowings – repayable within one year | 27 | **(135,732,857)** | (92,045,543) |
| Borrowings – repayable after one year | 27 | **(186,542,102)** | (137,363,520) |
| Lease liabilities | 10 | **(613,347)** | — |
| Net debt | | **(244,944,645)** | (153,228,022) |
| Cash and cash equivalents | | **77,943,661** | 76,181,041 |
| Gross debt – fixed interest rates | 4 | **(249,753,426)** | (169,519,298) |
| Gross debt – variable interest rates | 4 | **(73,134,880)** | (59,889,765) |
| Net debt | | **(244,944,645)** | (153,228,022) |

| | Other assets | Liabilities from financing activities | | | | |
|---|---|---|---|---|---|---|
| | | Borrow due | Borrow due | | | |
| | Cash | within 1 year | after 1 year | Leases | Sub-total | Total |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **Net debt as at 1 January 2018** | 68,433,256 | (78,672,660) | (140,597,186) | — | (219,269,846) | (150,836,590) |
| Cash flows | 13,560,030 | (13,426,186) | 1,391,691 | — | (12,034,495) | 1,525,535 |
| Changes arising from business combination | (4,272,673) | (1,254,837) | (2,692,455) | — | (3,947,292) | (8,219,965) |
| Changes arising from disposal of subsidiaries | (1,738,404) | 1,308,140 | 5,940,000 | — | 7,248,140 | 5,509,736 |
| Foreign exchange adjustments | 198,832 | — | (1,405,570) | — | (1,405,570) | (1,206,738) |
| **Net debt as at 31 December 2018** | 76,181,041 | (92,045,543) | (137,363,520) | — | (229,409,063) | (153,228,022) |
| Recognised on adoption of HKFRS 16 (see note 3) | — | — | — | (433,162) | (433,162) | (433,162) |
| **Net debt as at 1 January 2019** | 76,181,041 | (92,045,543) | (137,363,520) | (433,162) | (229,842,225) | (153,661,184) |
| Cash flows | 14,261,605 | (42,073,519) | (35,478,760) | 120,353 | (77,431,926) | (63,170,321) |
| Changes arising from business combination (note 43) | (12,212,797) | (1,613,795) | (16,765,150) | — | (18,378,945) | (30,591,742) |
| Changes arising from disposal of subsidiaries (note 44) | (402,357) | — | 4,225,400 | — | 4,225,400 | 3,823,043 |
| Acquisition – leases | — | — | — | (300,538) | (300,538) | (300,538) |
| Foreign exchange adjustments | 116,169 | — | (1,160,072) | — | (1,160,072) | (1,043,903) |
| **Net debt as at 31 December 2019** | 77,943,661 | (135,732,857) | (186,542,102) | (613,347) | (322,888,306) | (244,944,645) |

## 38 Commitments

### (A) PROPERTY DEVELOPMENT EXPENDITURES AT THE BALANCE SHEET DATE BUT NOT YET INCURRED IS AS FOLLOWS:

| | **31 December 2019 RMB'000** | 31 December 2018 RMB'000 |
|---|---|---|
| Contracted but not provided for | | |
| – PUDs and completed properties held for sale | **123,306,975** | 73,941,626 |
| – PP&E | **7,649,631** | 7,073,402 |
| – Investment properties | **2,140,531** | 3,806,360 |
| – Intangible assets | **7,028** | 11,234 |
| | **133,104,165** | 84,832,622 |

### (B) EQUITY INVESTMENTS

| | **31 December 2019 RMB'000** | 31 December 2018 RMB'000 |
|---|---|---|
| Contracted but not provided for | **92,507** | 11,200,582 |

### (C) OPERATING LEASE COMMITMENTS

The future aggregate minimum lease rental expense under non-cancellable operating leases contracts are payable in the following periods:

| | **31 December 2019 RMB'000** | 31 December 2018 RMB'000 |
|---|---|---|
| No later than 1 year | **17,856** | 123,418 |
| Later than 1 year and no later than 5 years | **243** | 209,000 |
| Later than 5 years | **—** | 4,427 |
| | **18,099** | 336,845 |

From 1 January 2019, the Group has recognised right-of-use assets for above operating leases, except for short-term and low-value leases, see note 3 and note 10 for further information.

## 39 Financial guarantee

### (A) GUARANTEE ON MORTGAGE FACILITIES

The Group had the following contingent liabilities in respect of financial guarantees on mortgage facilities:

| | **31 December 2019 RMB'000** | 31 December 2018 RMB'000 |
|---|---|---|
| Guarantees in respect of mortgage facilities for certain purchasers of the Group's property units | **120,496,713** | 88,598,358 |

The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of (i) the transfer of the real estate ownership certificate to the purchaser which will generally occur within an average period of six months of the properties delivery dates; or (ii) the satisfaction of mortgage loans by the purchasers of the properties.

Pursuant to the terms of the guarantees, upon default of mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principal together with accrued interest and penalties owed by the defaulting purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the date of grant of the mortgage. The directors consider that the likelihood of default of payments by purchasers is minimal.

In addition, the Group had provided guarantees for certain joint ventures and associates for their borrowings amounted to RMB41.78 billion (2018: RMB23.82 billion) together with the equity investment partners on pro rata basis.

## 40 Assets pledged as security

The carrying amounts of assets pledged as security for current and non-current borrowings are:

| | **31 December 2019 RMB'000** | 31 December 2018 RMB'000 |
|---|---|---|
| **Current-** | | |
| PUDs | **176,619,852** | 135,681,521 |
| Completed properties held for sale | **11,419,501** | 12,267,060 |
| Restricted cash | **2,995,550** | 2,055,820 |
| Total current assets pledged as security | **191,034,903** | 150,004,401 |
| **Non-current-** | | |
| PP&E | **39,020,278** | 24,652,648 |
| Investment properties | **27,020,400** | 11,775,515 |
| Right-of-use assets | **10,047,799** | 1,096,574 |
| Total non-current assets pledged as security | **76,088,477** | 37,524,737 |

## 41 Financial instruments by category

| | **31 December 2019 RMB'000** | 31 December 2018 RMB'000 |
|---|---|---|
| Financial assets at amortised cost | | |
| – Trade and other receivables | **47,202,324** | 27,950,266 |
| – Restricted cash | **47,787,028** | 44,017,011 |
| – Cash and cash equivalents | **77,943,661** | 76,181,041 |
| – Amounts due from related companies | **40,858,593** | 48,965,621 |
| Financial assets at FVPL | **15,788,783** | 10,006,092 |
| Derivative financial instruments | **31,629** | 279,324 |
| | **229,612,018** | 207,399,355 |

| | **31 December 2019 RMB'000** | 31 December 2018 RMB'000 |
|---|---|---|
| Financial liabilities at amortised costs | | |
| – Borrowings | **322,274,959** | 229,409,063 |
| – Amounts due to related companies | **58,933,995** | 62,663,166 |
| – Trade and other payables | **140,877,465** | 87,877,685 |
| Lease liabilities | **613,347** | — |
| Derivative financial instruments | **14,358** | 93,526 |
| | **522,714,124** | 380,043,440 |

Note: Trade and other payables in this analysis do not include the taxes payables and payroll and welfare payables.

The Group's exposure to various risks associated with the financial instruments is discussed in note 4. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

## 42 Transactions with non-controlling interests

During the year ended 31 December 2019, the Group has acquired additional equity interests of its non-wholly owned subsidiaries and disposed of certain equity interests to its non-controlling shareholders through certain transactions with non-controlling interests which resulted in the total decrease in non-controlling interests of RMB6,035 million and total increase in net assets attributable to the owners of the Company of RMB3,526 million.

## 43 Business combination

### (A) ACQUISITIONS OF SUBSIDIARIES

In the year ended 31 December 2019, the major acquisitions of new subsidiaries are summarised as follows:

| | Global Project Companies RMB'000 (note(i)) | Others RMB'000 (note(ii)) | Total RMB'000 |
|---|---|---|---|
| Fair value of total interests acquired | 17,361,298 | 9,787,856 | 27,149,154 |
| Cash considerations for acquisition of | | | |
| – equity interests | 15,268,944 | 2,642,834 | 17,911,778 |
| – debts due to shareholders | — | 2,639,124 | 2,639,124 |
| Re-measurement of previously held interests | — | 3,928,806 | 3,928,806 |
| Gains from acquisition of new subsidiaries | 2,092,354 | 1,691,760 | 3,784,114 |
| Goodwill from acquisition of new subsidiaries | — | 1,114,668 | 1,114,668 |
| Re-measurement of previously held interests | — | 3,928,806 | 3,928,806 |
| Less: Book value of previously held interests | — | (3,100,207) | (3,100,207) |
| Net gains on re-measurement | — | 828,599 | 828,599 |

The following table set out a summary of the financial impacts:

| | Global Project Companies RMB'000 (note(i)) | Others RMB'000 (note(ii)) | Total RMB'000 |
|---|---|---|---|
| Net gains from acquisition of new subsidiaries (note 32) | 2,092,354 | 2,520,359 | 4,612,713 |
| Goodwill from acquisition of new subsidiaries | — | 1,114,668 | 1,114,668 |

Note:

(i) Acquisition of global project companies

In November 2019, the Group entered into an acquisition agreement with Yunnan Metropolitan Construction Investment Group Co., Ltd. ("Yunnan Metropolitan") to acquire 51% equity interests of Chengdu Times Global Industrial Co., Ltd. ("Times Global") and Global Sunac Exhibition & Cultural Tourism Group Co., Ltd. (previously called Chengdu Global Century Exhibition & Travel Group Co., Ltd , "Global Century") at a total consideration of RMB15,269 million. This transaction included to obtain eighteen global project companies (the "Global Project Companies") which were engaged in real estate property development and hotel and commercial operation in Chengdu, Wuhan, Changsha, Kunming and Xishuangbanna, respectively.

Upon completion of the transaction, at 19 December 2019, Times Global and Global Century became 51% owned subsidiaries of the Group.

The gains from this acquisition, amounting to RMB2,092 million, was due to the fact that consideration for the acquisition was lower than fair value of net identifiable assets acquired. The consideration is determined after arm's length negotiations between the parties.

## 43 Business combination *(Continued)*

### (A) ACQUISITIONS OF SUBSIDIARIES *(Continued)*

(ii) Acquisition of other companies

During the year ended 31 December 2019, the Company acquired additional equity interests of several existing joint ventures and associates from equity investment counterparties, which referred to such transactions as business combination achieved in stages. Upon completion of these step acquisition transactions, the joint ventures and associates became subsidiaries of the Group. The Group remeasured its equity interests in target joint ventures and associates immediately prior to the acquisition date, resulting in a net gain arising from fair value remeasurement of RMB828 million. In addition, goodwill or gains on acquisition of subsidiaries being the difference between the fair value of total identifiable net assets acquired and the aggregate consideration transferred and fair value of previously held equity interest, was recognised, respectively.

Beside the above step acquisition transactions, the Group acquired equity interest in several project companies from third parties. Upon completion of these transactions, these entities became subsidiaries of the Group.

**(B)** The fair value of the identifiable assets and liabilities and cash and cash equivalent impact arising from the acquisitions of subsidiaries in the above transactions are summarised as follows:

| | Global Project Companies RMB'000 | Others RMB'000 | Total RMB'000 |
|---|---|---|---|
| *(1) Fair value of net assets* | | | |
| **Non-current assets** | | | |
| PP&E | 7,818,049 | 3,048 | 7,821,097 |
| Investment properties | 6,092,000 | — | 6,092,000 |
| Intangible assets | 230,000 | 152,052 | 382,052 |
| Right-of-use assets | 1,603,209 | — | 1,603,209 |
| Investments accounted for using the equity method | 3,472,743 | 85,638 | 3,558,381 |
| DTA | 257,281 | 417,144 | 674,425 |
| **Current assets** | | | |
| PUD | 33,948,749 | 13,563,069 | 47,511,818 |
| CPHFS | 1,801,618 | 380,000 | 2,181,618 |
| Inventory | — | 338,496 | 338,496 |
| Financial assets at fair value through profit of loss | 200,000 | — | 200,000 |
| Restricted cash | 1,171,438 | 683,331 | 1,854,769 |
| Cash and cash equivalents | 451,965 | 217,121 | 669,086 |
| Other current assets | 6,240,137 | 14,170,299 | 20,410,436 |
| **Non-current liabilities** | | | |
| Borrowings | 16,126,276 | 638,874 | 16,765,150 |
| DTL | 7,792,573 | 2,613,529 | 10,406,102 |
| **Current liabilities** | | | |
| Borrowings | 400,000 | 1,213,795 | 1,613,795 |
| Other current liabilities | 11,424,006 | 15,344,256 | 26,768,262 |
| **Net assets** | 27,544,334 | 10,199,744 | 37,744,078 |
| Less: Non-controlling interests | (10,183,036) | (411,888) | (10,594,924) |
| **Fair value of the net assets acquired** | 17,361,298 | 9,787,856 | 27,149,154 |

## 43 Business combination *(Continued)*

**(B)** The fair value of the identifiable assets and liabilities and cash and cash equivalent impact arising from the acquisitions of subsidiaries in the above transactions are summarised as follows: *(Continued)*

| | Global Project Companies RMB'000 | Others RMB'000 | Total RMB'000 |
|---|---|---|---|
| *(2) Cash impact* | | | |
| Considerations settled by cash in current period | (10,007,944) | (2,873,939) | (12,881,883) |
| Cash and cash equivalents in the subsidiaries acquired | 451,965 | 217,121 | 669,086 |
| Net cash impact on acquisitions | (9,555,979) | (2,656,818) | (12,212,797) |

**(C)** The amounts of revenue and profit or loss of these new acquired subsidiaries since the acquisition date include in the consolidated statement of comprehensive income for this reporting period are summarised as follows:

| | Global Project Companies RMB'000 | Others RMB'000 | Total RMB'000 |
|---|---|---|---|
| Revenue | — | 2,653,248 | 2,653,248 |
| Net losses | — | (244,706) | (244,706) |

If the acquisition had occurred on 1 January 2019, consolidated pro-forma revenue and profit for the year ended 31 December 2019 would have been RMB171,459 million and RMB28,403 million respectively.

These amounts have been calculated using the subsidiary's results and adjusting them for:

- differences in the accounting policies between the group and the subsidiary, and
- the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 January 2019, together with the consequential tax effects.

## 44 Disposal of subsidiaries

**(A)** The financial impacts arising from the disposals are summarised as follows:

| | Total RMB'000 |
|---|---|
| Cash considerations received or receivable | 138,300 |
| Fair value of retained equity interest become joint ventures or associates | 263,259 |
| Less: carrying value of the disposed subsidiary | (386,009) |
| Net gains on disposals (note 32) | 15,550 |

## 44 Disposal of subsidiaries *(Continued)*

**(B)** The carrying values of the equity interests owned by the Group as at the disposal dates are summarised as follows:

| | Total<br>RMB'000 |
|---|---|
| **Non-current assets** | |
| PP&E | 24 |
| Investment in a jointly controlled entity | 537,619 |
| DTA | 23,674 |
| **Current assets** | |
| PUDs | 7,323,826 |
| Completed properties held for sale | 29,354 |
| Restricted cash | 14,800 |
| Cash and cash equivalents | 452,657 |
| Other current assets | 11,323,540 |
| **Non-current liabilities** | |
| Borrowings | (4,225,400) |
| DTL | (41,259) |
| **Current liabilities** | |
| Other current liabilities | (15,040,852) |
| **Net assets** | 397,983 |
| Less: Non-controlling interests | (11,974) |
| Carrying value of the equity owned by the Group | 386,009 |

**(C)** The cash impact arising from the disposals in above transactions are summarised as follows:

| | Total<br>RMB'000 |
|---|---|
| Cash considerations received as of 31 December 2019 | 50,300 |
| Cash of the subsidiaries disposed | (452,657) |
| Net cash impact | (402,357) |

## 45 Related party transactions

### (A) NAME AND RELATIONSHIP WITH RELATED PARTIES

| Name | Relationship with the Company |
|---|---|
| Sunac International | Immediate Controlling shareholder of the Company |
| Mr. Sun Hongbin | Ultimate controlling party of the Company and the chairman of the Board of Directors of the Company |

### (B) TRANSACTIONS WITH RELATED PARTIES

In addition to the related party information disclosed elsewhere in the consolidated financial statements, the Group had the following significant transactions entered into the ordinary course of business between the Group and the related parties:

#### (i) Cash (paid to)/received from related parties

| | Years ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| Cash paid to joint ventures and associates | **(87,503,460)** | (115,927,541) |
| Cash received from joint ventures and associates | **107,311,162** | 108,670,174 |
| | **19,807,702** | (7,257,367) |

#### (ii) Rendering of services and interest income

| | Years ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| Nature of transaction | | |
| Joint ventures: | | |
| – Interest income | **4,026,740** | 2,551,778 |
| – Fitting and decoration services | **2,271,147** | 2,107,999 |
| – Property management services | **652,080** | 522,246 |
| Associates | | |
| – Interest income | **526,684** | 228,652 |
| – Fitting and decoration services | **118,348** | 13,340 |
| – Property management services | **55,232** | – |

Interest income is charged at interest rates as specified in note 45(D) on the outstanding amounts.

Property management fee and Fitting and decoration income are charged at rates in accordance with respective contracts.

## 45 Related party transactions *(Continued)*

### (C) COMPENSATION OF KEY MANAGEMENT PERSONNEL

| | Years ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| Salaries and other short-term benefits | **167,053** | 185,813 |
| Share Option scheme | **54,913** | 92,705 |
| Share Award Scheme | **218,636** | — |
| | **440,602** | 278,518 |

### (D) RELATED PARTIES BALANCES

| | **31 December 2019** | 31 December 2018 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| **Amounts due from joint ventures** | | |
| – Interest free | **25,894,887** | 22,769,140 |
| – Interest bearing | **4,062,567** | 16,812,001 |
| – Interest receivable | **4,285,679** | 2,287,088 |
| | **34,243,133** | 41,868,229 |
| Less: loss allowance (note 4.1 (b)) | **(38,519)** | (26,687) |
| | **34,204,614** | 41,841,542 |
| Amounts due from associates | | |
| – Interest free | **3,859,762** | 3,249,475 |
| – Interest bearing | **8,994,240** | 8,647,532 |
| – Interest receivable | **540,755** | 378,924 |
| | **13,394,757** | 12,275,931 |
| Less: loss allowance (note 4.1 (b)) | **(6,740,778)** | (5,151,852) |
| | **6,653,979** | 7,124,079 |
| Amounts due to joint ventures | **55,438,461** | 57,176,851 |
| Amounts due to associates | **3,495,534** | 5,486,315 |
| | **58,933,995** | 62,663,166 |

The amounts due from joint ventures and associates almost have no fixed repayment date, bearing interest rate at 4.35% to 15% per annum for the year ended 31 December 2019 (2018: 4.35% to 16%).

The amounts due to joint ventures and associates are unsecured, interest-free and repayable on demand.

## 46 Dividends

The dividends paid in 2019 and 2018 were RMB3,645 million (RMB 0.827 per share) and RMB2,201 million (RMB0.501 per share) respectively. A dividend in respect of the year ended 31 December 2019 of RMB1.232 per share, amounting to RMB5,726 million, will be proposed at the upcoming annual general meeting of the Company, where the number of shares used for dividend calculation is the balance of the issued ordinary shares as at the date of the approval of the consolidated financial statements. These financial statements did not reflect this dividend payable.

| | Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| Proposed final dividend of RMB1.232 (2018: RMB0.827) per ordinary share | **5,726,051** | 3,644,638 |

## 47 Events after the balance sheet date

### (A) PLACING OF NEW SHARES UNDER GENERAL MANDATE

On 10 January 2020, the Company entered into the placing agreement, pursuant to which the placing agent agreed to procure, on a fully underwritten basis, placees for 186,920,000 placing shares at a price of HK$42.80 per share (the "Placing"). The gross proceeds from the Placing were approximately HK$8 billion (equivalent to approximately US$1.028 billion) and the net proceeds after deducting related costs and expenses borne by the Company were approximately HK$7.958 billion (equivalent to approximately US$1.023 billion).

### (B) ISSUANCE OF SENIOR NOTES

On 10 January 2020, the Company issued US$540 million 6.5% senior notes due 2025 on the Singapore Exchange Securities Trading Limited. The senior notes bear interest from and including 10 January 2020 at the rate of 6.5% per annum, payable semi-annually in arrears on 10 January and 10 July of each year, commencing on 10 July 2020.

### (C) PARTIAL REPURCHASE OF SENIOR NOTES DUE IN JULY AND AUGUST 2020

As at 19 March 2020, the Company has in the open market repurchased part of the senior notes in an aggregated amount of US$78.6 million, comprising the 8.625% senior notes due in July 2020 of US$55.8 million in aggregate principal amount and the 6.875% senior notes due in August 2020 of US$22.8 million in aggregate principal amount. The Company cancelled the repurchased notes in accordance with the terms of the senior notes and indentures.

### (D) COVID-19 EPIDEMIC

After the outbreak of COVID-19 epidemic in China in early 2020, a series of effective prevention and control measures continued to be implemented throughout China. As at 26 March 2020, China's prevention and control efforts have yielded remarkable results, and the COVID-19 epidemic situation continues to improve.

The Group has been closely monitoring developments of COVID-19 epidemic and continuously assessing its impact on the financial position and operating performance of the Group. At present, the Group is still in progress of assessing its impact, and could not reasonably estimate relevant impacts of COVID-19 epidemic on the Group.

## 48 Balance sheet and reserve movement of the Company

| | Note | 31 December 2019 RMB'000 | 31 December 2018 RMB'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Investments in subsidiaries | | **29,403,379** | 17,609,759 |
| Derivative financial instruments | | **31,629** | — |
| | | **29,435,008** | 17,609,759 |
| **Current assets** | | | |
| Amounts due from subsidiaries | | **29,481,092** | 19,044,241 |
| Other receivables | | **837,884** | 1,005,108 |
| Derivative financial instruments | | — | 153,507 |
| Restricted cash | | **1,744,050** | 365,970 |
| Cash and cash equivalents | | **1,859,562** | 2,482,524 |
| | | **33,922,588** | 23,051,350 |
| **Total assets** | | **63,357,596** | 40,661,109 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity attributable to owners of the Company** | | | |
| Share capital | | **382,339** | 378,421 |
| Other reserves | (A) | **8,193,085** | 11,513,938 |
| Accumulated losses | (A) | **(11,586,822)** | (7,473,459) |
| **(Net deficiency)/total equity** | | **(3,011,398)** | 4,418,900 |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Derivative financial instruments | | **169** | 36,115 |
| Borrowings | | **39,461,894** | 20,958,037 |
| | | **39,462,063** | 20,994,152 |
| **Current liabilities** | | | |
| Borrowings | | **9,918,534** | 5,810,894 |
| Other payables | | **1,045,085** | 667,343 |
| Amounts due to subsidiaries | | **15,943,312** | 8,769,820 |
| | | **26,906,931** | 15,248,057 |
| Total liabilities | | **66,368,994** | 36,242,209 |
| Total equity and liabilities | | **63,357,596** | 40,661,109 |

**Sun Hongbin**
*Director*

**Wang Mengde**
*Director*

## 48 Balance sheet and reserve movement of the Company *(Continued)*

### (A) RESERVE MOVEMENT OF THE COMPANY

| | Share premium RMB'000 | Share option reserves RMB'000 | Other reserves RMB'000 | Accumulated losses RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| **Year ended 31 December 2018** | | | | | |
| At 1 January 2018 | 12,959,681 | 469,935 | 1,416,348 | (5,287,406) | 9,558,558 |
| Loss for the year | — | — | — | (2,186,053) | (2,186,053) |
| Employees share option schemes: | | | | | |
| – Value of employee services | — | 291,035 | — | — | 291,035 |
| – Proceeds from shares issued | 42,277 | — | — | — | 42,277 |
| Purchase of shares for share award scheme | (1,464,565) | — | — | — | (1,464,565) |
| Dividends relating to 2017 | (2,200,773) | — | — | — | (2,200,773) |
| **At 31 December 2018** | 9,336,620 | 760,970 | 1,416,348 | (7,473,459) | 4,040,479 |
| **Year ended 31 December 2019** | | | | | |
| At 1 January 2019 | **9,336,620** | **760,970** | **1,416,348** | **(7,473,459)** | **4,040,479** |
| Loss for the year | — | — | — | **(4,113,363)** | **(4,113,363)** |
| Employees share option schemes: | | | | | |
| – Value of employee services | — | **117,021** | — | — | **117,021** |
| – Proceeds from shares issued | **462,104** | — | — | — | **462,104** |
| Share award scheme: | | | | | |
| – Value of employee services | — | **460,966** | — | — | **460,966** |
| Purchase of shares for share award scheme | **(716,306)** | — | — | — | **(716,306)** |
| Dividends relating to 2018 | **(3,644,638)** | — | — | — | **(3,644,638)** |
| **At 31 December 2019** | **5,437,780** | **1,338,957** | **1,416,348** | **(11,586,822)** | **(3,393,737)** |

## 49 Benefits and interests of directors

The Directors' and senior management's emoluments are set out below:

| Name of Director | Fees RMB'000 | Salary RMB'000 | Discretionary bonuses RMB'000 | Share option expenses RMB'000 | Share award expenses (i) RMB'000 | Employer's contribution retirement benefit scheme RMB'000 | Other benefits RMB'000 |
|---|---|---|---|---|---|---|---|
| **Year ended 31 December 2019:** | | | | | | | |
| Directors: | | | | | | | |
| Sun Hongbin | – | 8,000 | 8,400 | – | – | – | – |
| Wang Mengde | – | 7,479 | 7,500 | 5,533 | 22,310 | 35 | 59 |
| Jing Hong | – | 6,000 | 7,800 | 5,533 | 22,310 | 67 | 99 |
| Chi Xun | – | 6,770 | 7,569 | 5,533 | 20,079 | 35 | 59 |
| Tian Qiang | – | 6,000 | 6,600 | 5,137 | 20,079 | 87 | 131 |
| Shang Yu | – | 5,500 | 9,150 | 4,940 | 20,079 | 43 | 64 |
| Huang Shuping | – | 5,166 | 4,050 | 3,616 | 11,155 | 32 | 56 |
| Sun Zheyi | – | 1,800 | 1,260 | – | 6,693 | 50 | 38 |
| Poon Chiu Kwoh | 403 | – | – | – | – | – | – |
| Zhu Jia | 403 | – | – | – | – | – | – |
| Li Qin | 358 | – | – | – | – | – | – |
| Ma Lishan | 358 | – | – | – | – | – | – |
| **Year ended 31 December 2018:** | | | | | | | |
| Directors: | | | | | | | |
| Sun Hongbin | – | 7,750 | 9,675 | – | – | – | – |
| Wang Mengde | – | 7,143 | 9,350 | 13,775 | – | 38 | 56 |
| Jing Hong | – | 5,917 | 9,024 | 13,775 | – | 59 | 74 |
| Chi Xun | – | 5,920 | 8,724 | 13,775 | – | 38 | 56 |
| Tian Qiang | – | 5,204 | 7,220 | 12,784 | – | 85 | 110 |
| Shang Yu | – | 5,190 | 7,970 | 12,262 | – | 41 | 57 |
| Huang Shuping | – | 5,157 | 4,500 | 9,067 | – | 37 | 54 |
| Sun Zheyi | – | 1,700 | 1,290 | – | – | 55 | 35 |
| Poon Chiu Kwoh | 380 | – | – | – | – | – | – |
| Zhu Jia | 380 | – | – | – | – | – | – |
| Li Qin | 338 | – | – | – | – | – | – |
| Ma Lishan | 338 | – | – | – | – | – | – |

(i) For the year ended 31 December 2019, 5.5 million award shares were granted to seven executive Directors, and expenses recognised by the Company in profit or loss for the year due to the grant of the award shares were RMB122.71 million. Expenses recognised in profit or loss for the year in respect of 1.65 million award shares (accounting for 30%) to be released on 31 March 2020 were RMB55.13 million, and expenses recognised in profit or loss for the year in respect of the remaining 3.85 million award shares (accounting for 70%) to be released in subsequent years were RMB67.58 million.

## 49 Benefits and interests of directors *(Continued)*

For the year ended 31 December 2019 and 2018, no housing allowance, compensation for loss of office as director, estimated money value of other benefits, remunerations paid or receivable in respect of accepting office as director, emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking were provided by the Group to directors or chief executive.

The five individuals whose emoluments were the highest in the Group included five directors (2018: Five) for the year ended 31 December 2019, whose emoluments are reflected in the analysis presented above.

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## 50 Subsidiaries

The Group's principal subsidiaries at 31 December 2019 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the group. The country of incorporation or registration is also their principal place of business. The directors are of the opinion that a complete list of the particulars of all subsidiaries will be of excessive length and therefore the following list contains only the particulars of subsidiaries as at 31 December 2019 which principally affect the results or assets of the Group.

| Name | Date of incorporation/ acquisition | Nominal value of issued and fully paid share capital/ registered capital | Equity interests held | | | | Principal activities and place of operation |
|---|---|---|---|---|---|---|---|
| | | | 31 December 2019 | | 31 December 2018 | | |
| | | | Directly | Indirectly | Directly | Indirectly | |
| **Incorporated in the British Virgin Islands, limited liability company:** | | | | | | | |
| Jujin Real Estate Investment Holdings Ltd. | 06 September 2007 | USD1 | **100%** | — | 100% | — | Investment holding in the British Virgin Islands |
| Dingsheng Real Estate Investment Holdings Ltd. | 06 September 2007 | USD1 | **100%** | — | 100% | — | Investment holding in the British Virgin Islands |
| Zhuoyue Real Estate Investment Holdings Ltd. | 13 September 2007 | USD1 | **100%** | — | 100% | — | Investment holding in the British Virgin Islands |
| Sunac Greentown Investment Holdings Limited | 25 April 2013 | RMB3,277 million | **100%** | — | 100% | — | Investment holding in the British Virgin Islands |
| Elegant Trend Limited | 17 July 2013 | HKD15.6 | — | **100%** | — | 100% | Investment holding in the British Virgin Islands |
| **Incorporated in Hong Kong, limited liability company:** | | | | | | | |
| Lead Perfect (HK) Investment Limited | 19 June 2018 | USD333.33 million | — | **55%** | — | 55% | Investment holding in Hong Kong |
| Creation Vast (HK) Investment Limited | 01 August 2019 | USD210.21 million | — | **100%** | — | — | Investment holding in Hong Kong |
| **Incorporated in the PRC, limited liability company:** | | | | | | | |
| New Richport Property Development Shanghai Co., Ltd.** | 17 July 2013 | RMB2,500 million | — | **100%** | — | 100% | Real estate development in Mainland China |
| Wuxi Sunac City Investment Co., Ltd | 10 November 2017 | RMB4,000 million | — | **100%** | — | 91% | Real estate development, cultural and tourism city construction and operation in Mainland China |
| Shanghai Sunac Real Estate Development Co., Ltd. | 18 December 2014 | RMB2,000 million | — | **100%** | — | 100% | Real estate development in Mainland China |
| Shanghai Xiangyuan Investment Holdings Limited | 03 May 2016 | RMB2,000 million | — | **100%** | — | 100% | Investment holding in Mainland China |
| Shanghai Lvshun Real Estate Development Co., Ltd | 01 July 2012 | RMB1,000 million | — | **100%** | — | 100% | Real estate development in Mainland China |

## 50 Subsidiaries *(Continued)*

| Name | Date of incorporation/ acquisition | Nominal value of issued and fully paid share capital/ registered capital | Equity interests held | | | | Principal activities and place of operation |
|---|---|---|---|---|---|---|---|
| | | | 31 December 2019 | | 31 December 2018 | | |
| | | | Directly | Indirectly | Directly | Indirectly | |
| **Incorporated in the PRC, limited liability company (continued):** | | | | | | | |
| Hefei Wanda City Investment Co., Ltd | 03 August 2017 | RMB2,000 million | — | **100%** | — | 91% | Real estate development, cultural and tourism city construction and operation in Mainland China |
| Sunac Xinheng Investment Group Co., Ltd. | 27 August 2013 | RMB10 million | — | **100%** | — | 100% | Investment holding in Mainland China |
| Hangzhou Rongyu Real Estate Co., Ltd. | 15 June 2016 | RMB1,800 million | — | **100%** | — | 100% | Real estate development in Mainland China |
| Sunac Oriental Movie Metropolis Investment Co., Ltd. | 10 November 2017 | RMB3,000 million | — | **100%** | — | 91% | Real estate development, cultural and tourism city construction and operation in Mainland China |
| Qingdao Sunac Yacht Industry Investment Co., Ltd. | 10 November 2017 | RMB1,000 million | — | **100%** | — | 91% | Real estate development, cultural and tourism city construction and operation in Mainland China |
| Jinan Wanda City Construction Co., Ltd | 10 November 2017 | RMB2,000 million | — | **100%** | — | 91% | Real estate development, cultural and tourism city construction and operation in Mainland China |
| Beijing Sunac Construction Investment Real Estate Co., Ltd | 16 August 2010 | RMB10 million | — | **100%** | — | 100% | Real estate development in Mainland China |
| Beijing Raycom Yangguang Real Estate Development Company Limited | 31 December 2016 | RMB250 million | — | **100%** | — | 100% | Real estate development in Mainland China |
| Qingdao Calxon Real Estate Development Co., Ltd. | 31 December 2016 | RMB1,200 million | — | **100%** | — | 100% | Real estate development in Mainland China |
| Nanchang Wanda City Investment Co., Ltd | 04 August 2017 | RMB2,000 million | — | **100%** | — | 91% | Real estate development, cultural and tourism city construction and operation in Mainland China |
| Sunac Real Estate Group Co., Ltd. | 31 January 2003 | RMB15,000 million | — | **100%** | — | 100% | Real estate development in Mainland China |
| Harbin Wanda City Investment Co., Ltd | 02 August 2017 | RMB2,000 million | — | **100%** | — | 91% | Real estate development, cultural and tourism city construction and operation in Mainland China |
| Tianjin Sunac Mingxiang Investment Development Co., Ltd. | 06 April 2010 | RMB1,421 million | — | **100%** | — | 100% | Real estate development in Mainland China |
| Sunac Huabei Development Group Co., Ltd | 25 February 2003 | RMB222 million | — | **100%** | — | 100% | Real estate development in Mainland China |
| Zhengzhou Sunac Meisheng Real Estate Development Co., Ltd. | 17 March 2016 | RMB820 million | — | **70%** | — | 70% | Real estate development in Mainland China |
| Tianjin Rongzheng Real Estate Limited | 12 July 2013 | RMB504 million | — | **100%** | — | 100% | Real estate development in Mainland China |
| Tianjin Rongyao Real Estate Development Co., Ltd. | 07 March 2013 | RMB500 million | — | **54%** | — | 54% | Real estate development in Mainland China |
| Guangzhou Wanda Cultural&Tourism City Investment Co., Ltd | 31 August 2017 | RMB4,000 million | — | **100%** | — | 91% | Real estate development, cultural and tourism city construction and operation in Mainland China |
| Sunac (Shenzhen) Real Estate Co., Ltd. | 09 March 2015 | RMB10 million | — | **100%** | — | 100% | Investment holding in Mainland China |
| Haikou Wanda City Investment Co., Ltd | 25 August 2017 | RMB2,000 million | — | **100%** | — | 91% | Real estate development, cultural and tourism city construction and operation in Mainland China |
| Chongqing Wanda City Investment Co., Ltd | 30 March 2018 | RMB3,000 million | — | **100%** | — | 91% | Real estate development, cultural and tourism city construction and operation in Mainland China |
| Chengdu Guojia Zhide Real Estate Co., Ltd.** | 22 October 2015 | RMB1,375 million | — | **100%** | — | 100% | Real estate development in Mainland China |
| Chengdu Sunac Cultural&Tourism City Investment Co., Ltd | 05 September 2017 | RMB2,000 million | — | **100%** | — | 91% | Real estate development, cultural and tourism city construction and operation in Mainland China |
| Kunming Sunac City Investment Co., Ltd | 10 November 2017 | RMB2,000 million | — | **100%** | — | 91% | Real estate development, cultural and tourism city construction and operation in Mainland China |

## 50 Subsidiaries *(Continued)*

| Name | Date of incorporation/ acquisition | Nominal value of issued and fully paid share capital/ registered capital | Equity interests held | | | | Principal activities and place of operation |
|---|---|---|---|---|---|---|---|
| | | | 31 December 2019 | | 31 December 2018 | | |
| | | | Directly | Indirectly | Directly | Indirectly | |
| **Incorporated in the PRC, limited liability company (continued):** | | | | | | | |
| Chongqing Sunac Qiyang Real Estate Co., Ltd.* | 18 September 2013 | HKD2,280 million | — | **100%** | — | 100% | Real estate development in Mainland China |
| Guilin Sunac City Investment Co., Ltd | 28 August 2017 | RMB1,500 million | — | **100%** | — | 91% | Real estate development, cultural and tourism city construction and operation in Mainland China |
| Chongqing Sunac Shijin Real Estate Co., Ltd.* | 12 December 2012 | HKD1,229 million | — | **100%** | — | 100% | Real estate development in Mainland China |
| Xishuangbanna International Tourism Resort Development Co., Ltd. | 04 August 2017 | RMB2,000 million | — | **100%** | — | 91% | Real estate development, cultural and tourism city construction and operation in Mainland China |
| Harbin Mingsheng Business Management Co., Ltd | 21 August 2017 | RMB1,200 million | — | **100%** | — | 91% | Real estate development, cultural and tourism city construction and operation in Mainland China |
| Sunac (Hainan) Cultural Tourism Operation Management Co., Ltd | 31 October 2018 | RMB2,000 million | — | **100%** | — | 100% | Real estate development, cultural and tourism city construction and operation in Mainland China |
| Tianjin Sunac Yuanhao Real Estate Co., Ltd. | 25 February 2016 | RMB100 million | — | **100%** | — | 100% | Real estate development in Mainland China |
| Tianjin Sunac Qi'ao Real Estate Co., Ltd** | 21 May 2019 | RMB2,000 million | — | **100%** | — | — | Real estate development in Mainland China |
| Beijing Sunac Hengyu Real Estate Development Co., Ltd | 13 May 2016 | RMB2,500 million | — | **82%** | — | 82% | Real estate development in Mainland China |
| Shijiazhuang Jubang Real Estate Development Co., Ltd | 04 December 2019 | RMB20 million | — | **54%** | — | 5% | Real estate development in Mainland China |
| Changzhou Lvcheng Real Estate Co., Ltd | 12 October 2018 | RMB837.5 million | — | **100%** | — | 100% | Real estate development in Mainland China |
| Fanhai Construction Holdings Co., Ltd | 15 March 2019 | RMB9,000 million | — | **100%** | — | — | Real estate development in Mainland China |
| Sunac (Xinan) Real Estate Development Co., Ltd. | 24 April 2003 | RMB1,000 million | — | **100%** | — | 100% | Investment holding in Mainland China |
| Guiyang Guanshanhu Big Data Technology Industry Park Construction Co., Ltd | 11 May 2017 | RMB1,409.7 million | — | **51%** | — | 51% | Real estate development in Mainland China |
| Wuhan Xinghai Yuantou Real Estate Development Co., Ltd | 02 February 2016 | RMB200 million | — | **98%** | — | 98% | Real estate development in Mainland China |
| Dalian Dalian Real Estate Development Co., Ltd* | 12 June 2019 | RMB2,682 million | — | **100%** | — | — | Real estate development in Mainland China |
| Chengdu Times Global Industrial Co., Ltd | 19 December 2019 | RMB100 million | — | **51%** | — | — | Investment holding in Mainland China |
| Global Sunac Exhibition&Travel Group Co., Ltd (i) | 19 December 2019 | RMB604.03 million | — | **51%** | — | — | Real estate development, cultural and tourism city construction and operation in Mainland China |
| Sichuan Heilongtan Changdao International Tourism Resort Center Co., Ltd | 27 November 2019 | RMB1,000 million | — | **51%** | — | — | Real estate development, cultural and tourism city construction and operation in Mainland China |
| Sichuan Sancha Lake International Tourism Resort Co., Ltd | 27 November 2019 | RMB250 million | — | **51%** | — | — | Real estate development, cultural and tourism city construction and operation in Mainland China |

* Registered as wholly foreign owned enterprises under PRC law

** Registered as sino-foreign equity joint venture under PRC law

(i) This company has non-controlling interests material to the Group. Note 43(B) provides the summarised financial information of this company at acquisition date. There is no material variance comparing with the financial information of year end.

As at 31 December 2019 and 2018, there was no subsidiary that had non-controlling interests material to the Group except the subsidiaries mentioned above.

pwc 羅兵咸永道

**To the Shareholders of Sunac China Holdings Limited**
(incorporated in Cayman Islands with limited liability)

## Opinion

### WHAT WE HAVE AUDITED

The consolidated financial statements of Sunac China Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 76 to 209, which comprise:

- the consolidated balance sheet as at 31 December 2018;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

### OUR OPINION

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### INDEPENDENCE

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

*PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong*
*T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

A key audit matter identified in our audit is summarised as follows:

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|---|
| Assessment of net realisable value of properties under development and completed properties held for sale | |
| Refer to note 6(C) of critical accounting estimates and judgements, note 14 of properties under development and note 15 of completed properties held for sale to the consolidated financial statements.<br><br>At 31 December 2018, properties under development ("PUD") and completed properties held for sale ("PHS") totalled RMB 340,518 million and accounted for approximately 48% of the Group's total assets. PUD and PHS are stated at the lower of cost and net realisable value, write-down of carrying amounts of PUD and PHS to their net realisable value amounted to RMB 1,268 million as at 31 December 2018.<br><br>We identified the net realisable value assessment of the Group's PUD and PHS as a key audit matter because the determination of net realisable values of PUD and PHS involved critical accounting estimates on the selling price, variable selling expenses and estimated costs to completion of PUD. | We have performed the following procedures to address this key audit matter:<br><br>(i) We understood, evaluated and tested the internal control over the Group's process in determining the costs to completion of PUD;<br><br>(ii) We compared the relevant PUD and PHS balances against the result of management's net realisable value assessment made in the prior year to consider, with hindsight, whether management's net realisable value assessment estimation process had been subject to management bias;<br><br>(iii) We obtained management's net realisable value assessment on PUD and PHS and performed the following audit procedures:<br><br>• Estimated selling price which is based on the prevailing market conditions, we compared the estimated selling price to the recent market transactions by making reference to the Group's selling price of the pre-sale units in the same project or the prevailing market price of the comparable properties with similar type, size and location;<br><br>• Estimated variable selling expenses as a percentage of the related estimated selling price of the properties, we compared the above estimated percentage with the actual average selling expenses to revenue ratio of the Group in recent year; and |

| Key Audit Matter | How our audit addressed the Key Audit Matter |
| --- | --- |
| Assessment of net realisable value of properties under development and completed properties held for sale (continued) | • Estimated costs to completion for PUD, we reconciled the estimated costs to completion to the budgets approved by management and examined, on a sample basis, the signed construction contracts or compared the anticipated completion costs to the actual costs of similar type of completed properties of the Group.<br><br>We found the data used and the key estimations adopted by management were consistent with the evidence we obtained. |

## Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of Directors and Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Audit Committee are responsible for overseeing the Group's financial reporting process.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lo Kai Leung, Thomas.

**PricewaterhouseCoopers**
*Certified Public Accountants*

Hong Kong, 28 March 2019

# CONSOLIDATED BALANCE SHEET

| | Note | As at 31 December 2018 RMB'000 | 2017 RMB'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 8 | **49,224,305** | 39,262,620 |
| Investment properties | 9 | **16,195,739** | 12,821,611 |
| Land use rights and intangible assets | 10 | **16,020,807** | 3,637,131 |
| Deferred tax assets | 12 | **2,984,740** | 1,913,730 |
| Investments accounted for using the equity method | 11 | **65,496,826** | 58,613,221 |
| Financial assets at fair value through profit or loss | 13 | **9,872,592** | — |
| Available-for-sale financial assets | 13 | — | 871,578 |
| Receivables | 16 | **558,000** | 915,750 |
| Prepayments | 17 | **2,276,912** | 4,950,793 |
| Derivative financial instruments | 26 | **125,817** | 14,865 |
| Amounts due from related companies | 43(D) | **666,452** | 500,016 |
| | | **163,422,190** | 123,501,315 |
| **Current assets** | | | |
| Properties under development | 14 | **291,913,575** | 271,514,992 |
| Completed properties held for sale | 15 | **47,336,265** | 42,242,613 |
| Inventories | | **14,967** | 10,771 |
| Trade and other receivables | 16 | **27,392,266** | 18,411,699 |
| Contract assets | 7 | **932,328** | 263,936 |
| Derivative financial instruments | 26 | **153,507** | — |
| Amounts due from related companies | 43(D) | **48,299,169** | 60,582,774 |
| Prepayments | 17 | **10,414,376** | 4,509,791 |
| Prepaid income tax | | **6,449,795** | 5,345,490 |
| Restricted cash | 18 | **44,017,011** | 28,285,601 |
| Cash and cash equivalents | 19 | **76,181,041** | 68,433,256 |
| Financial assets at fair value through profit or loss | 13 | **133,500** | — |
| | | **553,237,800** | 499,600,923 |
| **Total assets** | | **716,659,990** | 623,102,238 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity attributable to owners of the Company** | | | |
| Share capital | 20 | **378,421** | 377,608 |
| Other reserves | 22 | **14,259,603** | 16,649,452 |
| Retained earnings | | **42,198,205** | 26,775,180 |
| | | **56,836,229** | 43,802,240 |
| Perpetual capital securities | 23 | **5,526,772** | 9,288,432 |
| Other non-controlling interests | | **10,743,568** | 7,547,553 |
| **Total equity** | | **73,106,569** | 60,638,225 |

| | Note | As at 31 December 2018 RMB'000 | 2017 RMB'000 |
|---|---|---|---|
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Borrowings | 25 | **137,363,520** | 140,597,186 |
| Derivative financial instruments | 26 | **79,509** | 167,634 |
| Deferred tax liabilities | 12 | **33,383,440** | 34,498,436 |
| Other payables | 24 | **1,474,373** | 1,492,327 |
| | | **172,300,842** | 176,755,583 |
| **Current liabilities** | | | |
| Trade and other payables | 24 | **92,786,353** | 68,789,140 |
| Contract liabilities | 7 | **199,378,610** | 131,190,587 |
| Amounts due to related companies | 43(D) | **62,663,166** | 91,947,252 |
| Current tax liabilities | | **23,753,921** | 14,411,985 |
| Borrowings | 25 | **92,045,543** | 78,672,660 |
| Derivative financial instruments | 26 | **14,017** | 53,839 |
| Provisions | 27 | **610,969** | 642,967 |
| | | **471,252,579** | 385,708,430 |
| **Total liabilities** | | **643,553,421** | 562,464,013 |
| **Total equity and liabilities** | | **716,659,990** | 623,102,238 |

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

The financial statements on pages 76 to 209 were approved by the Board of Directors on 28 March 2019 and were signed on its behalf.

**Sun Hongbin**
*Director*

**Wang Mengde**
*Director*

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Note | Year ended 31 December 2018 RMB'000 | 2017 RMB'000 |
|---|---|---|---|
| Revenue from contracts with customers | 7 | **124,745,623** | 65,873,515 |
| Cost of sales | 28 | **(93,609,587)** | (52,245,803) |
| **Gross profit** | | **31,136,036** | 13,627,712 |
| Other income and gains | 30 | **11,848,091** | 27,916,263 |
| Selling and marketing costs | 28 | **(4,360,530)** | (3,419,436) |
| Administrative expenses | 28 | **(7,356,570)** | (3,535,411) |
| Other expenses and losses | 31 | **(1,986,111)** | (10,336,909) |
| Net impairment losses on financial and contract assets | 28 | **(3,485,395)** | (2,376,177) |
| **Operating profit** | | **25,795,521** | 21,876,042 |
| Finance income | 32 | **806,208** | 736,000 |
| Finance expenses | 32 | **(2,893,493)** | (5,259,450) |
| Finance expenses - net | 32 | **(2,087,285)** | (4,523,450) |
| Share of post-tax profits/(losses) of associates and joint ventures accounted for using the equity method, net | 11 | **4,955,994** | (1,993,604) |
| **Profit before income tax** | | **28,664,230** | 15,358,988 |
| Income tax expense | 33 | **(11,219,229)** | (3,694,608) |
| **Profit for the year** | | **17,445,001** | 11,664,380 |
| **Other comprehensive income for the year** | | **—** | — |
| **Total comprehensive income for the year** | | **17,445,001** | 11,664,380 |
| **Total comprehensive income/(loss) attributable to:** | | | |
| – Owners of the Company | | **16,566,535** | 11,003,863 |
| – Holders of perpetual capital securities | 23 | **591,179** | 679,084 |
| – Other non-controlling interests | | **287,287** | (18,567) |
| | | **17,445,001** | 11,664,380 |
| **Earnings per share attributable to owners of the Company (expressed in RMB per share):** | 34 | | |
| – Basic earnings per share | | **3.79** | 2.76 |
| – Diluted earnings per share | | **3.74** | 2.70 |

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

| | Note | Attributable to owners of the Company | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Share capital | Other reserves | Retained earnings | Total | Perpetual capital securities | Other non-controlling interests | Total equity |
| | | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **Balance at 1 January 2017** | | 331,408 | 6,737,203 | 16,200,861 | 23,269,472 | 9,957,036 | 2,184,645 | 35,411,153 |
| Adjustment on adoption of HKFRS15, net of tax | | — | — | 451,560 | 451,560 | — | 6,978 | 458,538 |
| **Restated balance at 1 January 2017** | | 331,408 | 6,737,203 | 16,652,421 | 23,721,032 | 9,957,036 | 2,191,623 | 35,869,691 |
| **Total comprehensive income/(loss)** | | — | — | 11,003,863 | 11,003,863 | 679,084 | (18,567) | 11,664,380 |
| **Transactions with owners, recognised directly in equity** | | | | | | | | |
| Non-controlling interests arising on business combination | | — | — | — | — | — | 7,510,460 | 7,510,460 |
| Capital contributions from non-controlling interests | | — | — | — | — | — | 100,501 | 100,501 |
| Disposal of subsidiaries | | — | — | — | — | — | (1,536,459) | (1,536,459) |
| Transactions with non-controlling interests | | — | (495,394) | — | (495,394) | — | (393,684) | (889,078) |
| Dividends to non-controlling interests | | — | — | — | — | — | (306,321) | (306,321) |
| Capital increment from joint venture partner | | — | 73,715 | — | 73,715 | — | — | 73,715 |
| Issue of perpetual capital securities | | — | — | — | — | 1,376,000 | — | 1,376,000 |
| Redemption of perpetual capital securities | | — | — | — | — | (2,043,400) | — | (2,043,400) |
| Distributions to holders of perpetual capital securities | | — | — | — | — | (680,288) | — | (680,288) |
| Employees share option schemes: | | | | | | | | |
| – Value of employee services | | — | 210,370 | — | 210,370 | — | — | 210,370 |
| – Proceeds from shares issued | | 5,972 | 263,044 | — | 269,016 | — | — | 269,016 |
| Proceeds from private placement | | 40,228 | 9,970,751 | — | 10,010,979 | — | — | 10,010,979 |
| Statutory reserve | | — | 881,104 | (881,104) | — | — | — | — |
| Dividends relating to 2016 | | — | (991,341) | — | (991,341) | — | — | (991,341) |
| | | 46,200 | 9,912,249 | (881,104) | 9,077,345 | (1,347,688) | 5,374,497 | 13,104,154 |
| **Balance at 31 December 2017** | | 377,608 | 16,649,452 | 26,775,180 | 43,802,240 | 9,288,432 | 7,547,553 | 60,638,225 |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Note | Attributable to owners of the Company | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Share capital RMB'000 | Other reserves RMB'000 | Retained earnings RMB'000 | Total RMB'000 | Perpetual capital securities RMB'000 | Other non-controlling interests RMB'000 | Total equity RMB'000 |
| **Balance at 1 January 2018** | | 377,608 | 16,649,452 | 26,775,180 | 43,802,240 | 9,288,432 | 7,547,553 | 60,638,225 |
| Change in accounting policy | 3 | — | — | (71,473) | (71,473) | — | — | (71,473) |
| **Restated balance at 1 January 2018** | | 377,608 | 16,649,452 | 26,703,707 | 43,730,767 | 9,288,432 | 7,547,553 | 60,566,752 |
| **Total comprehensive income** | | — | — | 16,566,535 | 16,566,535 | 591,179 | 287,287 | 17,445,001 |
| **Transactions with owners, recognised directly in equity** | | | | | | | | |
| Non-controlling interests arising on business combination | 41(B) | — | — | — | — | — | 2,552,901 | 2,552,901 |
| Capital contributions from non-controlling interests | | — | — | — | — | — | 568,143 | 568,143 |
| Disposal of subsidiaries | 42 | — | — | — | — | — | 10,280 | 10,280 |
| Transactions with non-controlling interests | 40 | — | (129,860) | — | (129,860) | — | (30,596) | (160,456) |
| Dividends to non-controlling interests | | — | — | — | — | — | (192,000) | (192,000) |
| Issue of perpetual capital securities | 23 | — | — | — | — | 340,600 | — | 340,600 |
| Redemption of perpetual capital securities | 23 | — | — | — | — | (4,017,800) | — | (4,017,800) |
| Distributions to holders of perpetual capital securities | 23 | — | — | — | — | (675,639) | — | (675,639) |
| Employees share option schemes: | | | | | | | | |
| – Value of employee services | 22,29 | — | 291,035 | — | 291,035 | — | — | 291,035 |
| – Proceeds from shares issued | 20,22 | 813 | 42,277 | — | 43,090 | — | — | 43,090 |
| Purchase of shares for share award scheme | 21(B),22 | — | (1,464,565) | — | (1,464,565) | — | — | (1,464,565) |
| Statutory reserve | | — | 1,072,037 | (1,072,037) | — | — | — | — |
| Dividends relating to 2017 | 44 | — | (2,200,773) | — | (2,200,773) | — | — | (2,200,773) |
| | | 813 | (2,389,849) | (1,072,037) | (3,461,073) | (4,352,839) | 2,908,728 | (4,905,184) |
| **Balance at 31 December 2018** | | 378,421 | 14,259,603 | 42,198,205 | 56,836,229 | 5,526,772 | 10,743,568 | 73,106,569 |

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

| | Note | Year ended 31 December 2018 RMB'000 | 2017 RMB'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | 35 | **63,249,311** | 83,163,789 |
| Income tax paid | | **(11,194,605)** | (8,064,420) |
| **Net cash generated from operating activities** | | **52,054,706** | 75,099,369 |
| **Cash flows from investing activities** | | | |
| Payments for business combinations, net | 41 | **(4,272,673)** | (50,359,961) |
| Disposal of subsidiaries | 42 | **(1,738,404)** | 271,954 |
| Disposal of joint ventures and associates | | **3,172,766** | — |
| Payments for equity transactions | | **(6,162,230)** | (26,123,199) |
| Cash advance received for potential equity transaction | | **6,899,936** | — |
| Investments in joint ventures and associates | | **(9,745,498)** | (34,829,066) |
| Dividend received from joint ventures and associates | | **440,334** | 911,762 |
| Loans granted to joint ventures and associates | | **(16,342,608)** | (13,231,740) |
| Loan repayments received from joint ventures and associates | | **10,339,019** | 7,237,317 |
| Loan repayments received from equity investment partners | | **398,075** | — |
| Loans to equity investment partners | | — | (2,035,636) |
| Payments for available-for-sale financial assets | | — | (711,578) |
| Payments for financial assets at fair value through profit or loss ("FVPL") | | **(5,575,640)** | — |
| Purchases of property, plant and equipment ("PP&E"), intangible assets and investment properties | | **(13,639,331)** | (2,840,343) |
| Proceeds received from redemption of financial assets at FVPL | | **340,000** | — |
| Interests received | | **1,764,897** | 1,487,455 |
| Others | | **42,493** | 54,300 |
| **Net cash used in investing activities** | | **(34,078,864)** | (120,168,735) |

# CONSOLIDATED STATEMENT OF CASH FLOWS

| | Note | Year ended 31 December 2018 RMB'000 | 2017 RMB'000 |
|---|---|---|---|
| **Cash flows from financing activities** | | | |
| Proceeds from issue of ordinary shares | | **43,090** | 10,279,995 |
| Proceeds paid for purchase of shares for share award scheme | | **(1,464,565)** | — |
| Proceeds from issuance of perpetual capital securities | | **340,600** | 1,376,000 |
| Redemption of perpetual capital securities | | **(4,017,800)** | (2,043,400) |
| Proceeds from borrowings | | **118,691,208** | 124,017,209 |
| Repayments of borrowings | | **(106,354,120)** | (64,307,378) |
| Payments for derivative financial instruments | | **(59,762)** | (61,630) |
| Distribution paid to holders of perpetual capital securities | | **(675,639)** | (680,288) |
| Dividends paid to Company's shareholders | 44 | **(2,200,773)** | (991,341) |
| Dividends or deemed distribution paid to non-controlling interests | | **(2,299,176)** | (4,362,445) |
| Loans from non-controlling interests | | **2,495,256** | 1,731,538 |
| Loans repayments to non-controlling interests | | **(1,813,953)** | (558,249) |
| Payments for transaction with non-controlling interests | | **(56,418)** | (685,418) |
| Restricted cash (guaranteed)/relieved for bank borrowings | | **(130,723)** | 1,610,381 |
| Contribution from non-controlling interests | | **565,142** | 54,001 |
| Interest paid | | **(13,489,256)** | (4,006,299) |
| Others | | — | (9,045) |
| **Net cash (used in)/generated from financing activities** | | **(10,426,889)** | 61,363,631 |
| **Net increase in cash and cash equivalents** | | **7,548,953** | 16,294,265 |
| Cash and cash equivalents at beginning of year | | **68,433,256** | 52,086,050 |
| Effects of exchange difference | | **198,832** | 52,941 |
| **Cash and cash equivalents at end of year** | 19 | **76,181,041** | 68,433,256 |

The above condensed consolidated statement of cash flows should be read in conjunction with the accompany notes.

## 1 General information

Sunac China Holdings Limited (the "Company") and its subsidiaries (together, the "Group") are principally engaged in the businesses of property development and investment, cultural and tourism city operation and property management services in the People's Republic of China (the "PRC").

The Company is a limited liability company incorporated in Cayman Islands. The address of its registered office is 190 Elgin Avenue, George Town, Grand Cayman KY1- 9005, Cayman Islands.

The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

These financial statements are presented in Renminbi ("RMB"), unless otherwise stated.

## 2 Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of the Company and its subsidiaries.

### 2.1 BASIS OF PREPARATION

**(i) Compliance with HKFRS and HKCO**

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and requirements of the Hong Kong Companies Ordinance Cap. 622.

**(ii) Historical cost convention**

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss, available-for-sale financial assets, derivative financial instruments and investment property that are measured at fair value.

**(iii) New and amended standards adopted by the Group**

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2018:

- *HKFRS 9 Financial Instruments*
- *Classification and Measurement of Share-based Payment Transactions – Amendments to HKFRS 2*
- *Annual Improvements 2014-2016 cycle*
- *Transfers to Investment Property – Amendments to HKAS 40*
- *Interpretation 22 Foreign Currency Transactions and Advance Consideration*

## 2 Summary of significant accounting policies *(continued)*

### 2.1 BASIS OF PREPARATION *(continued)*

**(iii) New and amended standards adopted by the Group** *(continued)*

The Group elected to early adopt HKFRS 15 *Revenue from Contracts with Customers* ("HKFRS 15") for its annual report for the year ended 31 December 2017.

The Group had to change its accounting policies and make certain retrospective adjustments following the adoption of HKFRS 9. Most of the other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

**(iv) New standards and interpretations not yet adopted**

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2018 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

HKFRS 16 *Leases*

*Nature of change*

HKFRS 16 was issued in May 2016. It will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

*Impact*

The Group has reviewed all of the Group's leasing arrangements over the last year in light of the new lease accounting rules in HKFRS 16. The standard will affect primarily the accounting for the Group's operating leases.

As at the reporting date, the Group has non-cancellable operating lease commitments of RMB 336.8 million, see note 36. Of these commitments, approximately RMB 10.6 million relate to short-term leases which will be recognised on a straight-line basis as expense in profit or loss.

For the remaining lease commitments the Group expects to recognise right-of-use assets of approximately RMB 334.7 million on 1 January 2019 and lease liabilities of RMB 334.7 million (after adjustments for prepayments and accrued lease payments recognised as at 31 December 2018). Overall net current assets will be RMB 122.6 million lower due to the presentation of a portion of the liability as a current liability.

The Group expects that net profit after tax will decrease by approximately RMB 4.7 million for 2019 as a result of adopting the new rules. The segment results are expected to increase by approximately RMB 138 million as the operating lease payment were included in the segment results, but the amortisation of the right-of-use assets and interest on the lease liability are excluded from this measure.

## 2 Summary of significant accounting policies *(continued)*

### 2.1 BASIS OF PREPARATION *(continued)*

#### (iv) New standards and interpretations not yet adopted *(continued)*

HKFRS 16 *Leases (continued)*

*Impact (continued)*

Operating cash flows will increase and financing cash flows decrease by approximately RMB 138 million for 2019 as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

The Group's activities as a lessor are all operating lease hence the Group does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

*Date of adoption by group*

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

### 2.2 PRINCIPLES OF CONSOLIDATION AND EQUITY ACCOUNTING

#### (i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet respectively.

## 2 Summary of significant accounting policies *(continued)*

### 2.2 PRINCIPLES OF CONSOLIDATION AND EQUITY ACCOUNTING *(continued)*

**(ii) Associates**

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (iv) below), after initially being recognised at cost.

**(iii) Joint arrangements**

The Group has applied HKFRS 11 to all joint arrangements. Under HKFRS 11 *Joint Arrangements* investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Interests in joint ventures are accounted for using the equity method (see (iv) below), after initially being recognised at cost in the consolidated balance sheet.

**(iv) Equity method**

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. The Group's investments in associates and joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an equity-accounted investment, any difference between the cost of the equity-accounted investment and the Group's share of the net fair value of the equity-accounted investment's identifiable assets and liabilities is accounted for as goodwill. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 2.10.

## 2 Summary of significant accounting policies *(continued)*

### 2.2 PRINCIPLES OF CONSOLIDATION AND EQUITY ACCOUNTING *(continued)*

**(v) Changes in ownership interests**

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

### 2.3 BUSINESS COMBINATIONS

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

## 2 Summary of significant accounting policies *(continued)*

### 2.3 BUSINESS COMBINATIONS *(continued)*

The excess of the

- consideration transferred
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity.

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or as a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

### 2.4 SEPARATE FINANCIAL STATEMENTS

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

## 2 Summary of significant accounting policies *(continued)*

### 2.5 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that makes strategic decisions.

### 2.6 FOREIGN CURRENCY TRANSLATION

**(i) Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in RMB, which is the Company's functional and presentation currency.

**(ii) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of profit or loss, within 'finance expenses – net'. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other income or other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

## 2 Summary of significant accounting policies *(continued)*

### 2.6 FOREIGN CURRENCY TRANSLATION *(continued)*

**(iii) Group companies**

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

### 2.7 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

## 2 Summary of significant accounting policies *(continued)*

### 2.7 PROPERTY, PLANT AND EQUIPMENT *(continued)*

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

| | |
|---|---|
| Buildings | 29 - 40 years |
| Vehicles | 5 years |
| Furniture and equipment | 5 - 10 years |
| Leasehold improvements | Shorter of 5 years or the lease periods |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

### 2.8 INVESTMENT PROPERTIES

Investment properties, principally freehold office buildings, shopping malls and commercial properties are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases are classified and accounted for as investment properties when the rest of the definition of investment properties are met. Investment properties are initially measured at cost including related transaction costs and where applicable borrowing cost.

After initial recognition, investment properties are carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any differences in the nature, location or condition of the specific asset. If such information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections.

Properties that are being constructed or developed as investment properties are carried at fair value. Where fair value is not reliably determinable, such investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is completed (wherever is earlier).

The fair value of investment properties reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market condition.

Changes in fair values are presented in profit or loss as part of other income or other expense.

## 2 Summary of significant accounting policies *(continued)*

### 2.9 LAND USE RIGHT AND INTANGIBLE ASSETS

**(i) Land use rights**

All land in the PRC is state-owned and no individual land ownership right exists. The Group acquired the rights to use certain land and the premiums paid for such rights are recorded as land use rights.

Land use rights which are held for development for sale are inventories and measured at lower of cost and net realisable value. Land use rights which are held for self-use are stated at cost and amortised over the use terms using straight-line method.

**(ii) Goodwill**

Goodwill is measured as described in note 2.10. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units ("CGUs") for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

**(iii) Trademark**

Trademark is carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method over the shorter of budgeted useful lives and contractually useful lives.

**(iv) Software**

Acquired computer software programmes are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful lives of 5 to 10 years on a straight-line basis.

## 2 Summary of significant accounting policies *(continued)*

### 2.10 IMPAIRMENT OF NON-FINANCIAL ASSETS

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

### 2.11 INVESTMENTS AND OTHER FINANCIAL ASSETS

**(i) Classification**

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss), and
- those to be measured at amortised cost

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

**(ii) Recognition and derecognition**

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

## 2 Summary of significant accounting policies *(continued)*

### 2.11 INVESTMENTS AND OTHER FINANCIAL ASSETS *(continued)*

**(iii) Measurement**

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

***Debt instruments***

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

## 2 Summary of significant accounting policies *(continued)*

### 2.11 INVESTMENTS AND OTHER FINANCIAL ASSETS *(continued)*

**(iii) Measurement** *(continued)*

***Equity instruments***

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

**(iv) Impairment**

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For contract assets and trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

**(v)** ***Accounting policies applied until 31 December 2017***

The Group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

## 2 Summary of significant accounting policies *(continued)*

### 2.11 INVESTMENTS AND OTHER FINANCIAL ASSETS *(continued)*

**(v)** ***Accounting policies applied until 31 December 2017*** *(continued)*

***(a) Classification***

The Group classifies its financial assets in the following categories:

- financial assets at FVPL
- loans and receivables, and
- available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition. See note 39 for details about each type of financial asset.

***(b) Reclassification***

The Group may choose to reclassify a non-derivative trading financial asset out of the held for trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the available-for-sale category if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

## 2 Summary of significant accounting policies *(continued)*

### 2.11 INVESTMENTS AND OTHER FINANCIAL ASSETS *(continued)*

**(v)** ***Accounting policies applied until 31 December 2017*** *(continued)*

***(c) Subsequent measurement***

The measurement at initial recognition did not change an adoption of HKFRS 9, see description above.

Subsequent to the initial, recognition loans and receivables were subsequently carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised as follows:

- for 'financial assets at FVPL'– in profit or loss within other income or other expenses
- for available-for-sale financial assets that are monetary securities denominated in a foreign currency – translation differences related to changes in the amortised cost of the security are recognised in profit or loss and other changes in the carrying amount are recognised in other comprehensive income
- for other monetary and non-monetary securities classified as available-for-sale – in other comprehensive income.

Dividends on financial assets at fair value through profit or loss and available-for-sale equity instruments are recognised in profit or loss as part of revenue from continuing operations when the Group's right to receive payments is established.

Interest income from financial assets at fair value through profit or loss is included in the 'other income and gains'. Interest on available-for-sale securities, loans and receivables calculated using the effective interest method is recognised in the statement of profit or loss as part of revenue from continuing operations.

Details on how the fair value of financial instruments is determined are disclosed in note 5.

## 2 Summary of significant accounting policies *(continued)*

### 2.11 INVESTMENTS AND OTHER FINANCIAL ASSETS *(continued)*

**(v)** ***Accounting policies applied until 31 December 2017*** *(continued)*

***(d) Impairment of financial assets***

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

*Assets carried at amortised cost*

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

*Assets classified as available-for-sale*

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

## 2 Summary of significant accounting policies *(continued)*

### 2.12 OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and the net amount reported in the balance sheet where the Company currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Company has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

### 2.13 FINANCIAL GUARANTEE CONTRACTS

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of

- the amount determined in accordance with the expected credit loss model under HKFRS 9 *Financial Instruments* and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 *Revenue from Contracts with Customers*.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

***Accounting policies applied until 31 December 2017***

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation, where appropriate the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation, where appropriate.

## 2 Summary of significant accounting policies *(continued)*

### 2.14 DERIVATIVES AND HEDGING ACTIVITIES

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group enters into certain derivative instruments which do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in other income or other expenses.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

### 2.15 PROPERTIES UNDER DEVELOPMENT

Properties under development are stated at the lower of cost and net realisable value. Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and anticipated cost to completion.

Development cost of property comprises construction costs, land use rights cost, capitalised borrowing costs and professional fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale.

### 2.16 COMPLETED PROPERTIES HELD FOR SALE

Completed properties remaining unsold as at the balance sheet dates are stated at the lower of cost and net realisable value.

Cost comprises development costs attributable to the unsold properties.

Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing marketing conditions.

## 2 Summary of significant accounting policies *(continued)*

### 2.17 INVENTORIES

Inventories are stated at the lower of cost or net realisable value. Cost, being cost of purchase, is determined on a weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

### 2.18 TRADE RECEIVABLES

Trade receivables are amounts due from customers for properties sold or services performed in the ordinary course of business. If collection of trade receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See note 2.11 for further information about the Group's accounting for trade receivables and a description of the Group's impairment policies.

### 2.19 CASH AND CASH EQUIVALENTS

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### 2.20 SHARE CAPITAL AND SHARES HELD FOR EMPLOYEE SHARE SCHEME

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of the Company as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of the Company.

Shares held by the Company are disclosed as treasury shares and deducted from contributed equity.

## 2 Summary of significant accounting policies *(continued)*

### 2.21 PERPETUAL CAPITAL INSTRUMENTS

Perpetual capital instruments with no contracted obligation to repay its principal or to pay any distribution are classified as part of equity.

### 2.22 TRADE AND OTHER PAYABLES

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

### 2.23 BORROWINGS

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

## 2 Summary of significant accounting policies *(continued)*

### 2.24 BORROWING COSTS

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

Borrowing costs include interest expense and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on interest rates on similar borrowings in the entity's functional currency.

When the construction of the qualifying assets takes more than one accounting period, the amount of foreign exchange differences eligible for capitalisation is determined for each annual period and are limited to the difference between the hypothetical interest amount for the functional currency borrowings and the actual interest incurred for foreign currency borrowings.

Foreign exchange differences that did not meet the criteria for capitalisation in previous years should not be capitalised in subsequent years.

### 2.25 CURRENT AND DEFERRED INCOME TAX

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

**Current income tax**

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

## 2 Summary of significant accounting policies *(continued)*

### 2.25 CURRENT AND DEFERRED INCOME TAX *(continued)*

**Deferred income tax**

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

## 2 Summary of significant accounting policies *(continued)*

### 2.26 EMPLOYEE BENEFITS

**(i) Short-term obligations**

Liabilities for wages and salaries that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

**(ii) Retirement benefits**

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the PRC government.

**(iii) Termination benefits**

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

## 2 Summary of significant accounting policies *(continued)*

### 2.27 SHARE-BASED PAYMENTS

Share-based compensation benefits are provided to employees via the Company's share option schemes and an employee share award scheme. Information relating to these schemes is set out in note 21.

**(i) Employee options**

The fair value of options granted under the Company's employee option schemes is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

– including any market performance conditions (e.g. the entity's share price)

– excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and remaining an employee of the entity over a specified time period), and

– including the impact of any non-vesting conditions (e.g. the requirement for employees to save or holdings shares for a specific period of time).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (and share premium).

**(ii) Share-based payment transactions among Group entities**

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

## 2 Summary of significant accounting policies *(continued)*

### 2.27 SHARE-BASED PAYMENTS *(continued)*

**(iii) Employee share award scheme**

Under the employee share award scheme, the Company entrusts the trustee to purchase existing ordinary shares in the open market based on the overall remuneration incentive plan. The trustee will hold such shares on behalf of the relevant selected employees on trust, until such shares are vested with the relevant selected employees in accordance with the scheme rules (see note 2.20).

The fair value of the shares granted to selected employees for nil consideration under the employee share award scheme is recognised as an expense over the relevant service period and the vesting period of the shares. The fair value is measured at the grant date of the shares and is recognised in equity in the share-based payment reserve. The number of shares expected to vest is estimated based on the non-market vesting conditions. The estimates are revised at the end of each reporting period and adjustments are recognised in profit or loss and the share-based payment reserve.

Where shares are forfeited due to a failure by the employee to satisfy the service conditions, any expenses previously recognised in relation to such shares are reversed effective the date of the forfeiture.

### 2.28 PROVISIONS

Provisions for legal claims, onerous contract and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

## 2 Summary of significant accounting policies *(continued)*

### 2.29 REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable for the sales of properties and services in the ordinary course of the Group's activities, stated net of discounts, returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

**(i) Sales of properties**

Revenues are recognised when or as the control of the property is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may be transferred over time or at a point in time. Control of the asset is transferred over time if the Group's performance do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract.

For property development and sales contracts for which the control of the property is transferred at a point in time, revenue is recognised when the customer obtains the physical possession or the legal title of the completed property and the Group has present right to payment and the collection of the consideration is probable.

The revenue is measured at the transaction price received or receivable under the contract.

The excess of cumulative revenue recognised in profit or loss over the cumulative billings to purchasers of properties is recognised as contract assets. The contract assets will be reclassified as receivables when the progress billings are issued or properties are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

For contract where the period between the payment by the customer and the transfer of the promised property exceeds one year, the promised amount of consideration is adjusted for the effects of a significant financing component.

## 2 Summary of significant accounting policies *(continued)*

### 2.29 REVENUE RECOGNITION *(continued)*

**(ii) Rental income**

Rental income from investment property is recognised in the statement of profit or loss on a straight-line basis over the term of the lease.

**(iii) Service income**

Property management service income is recognised when the services are provided, the total amount of revenue and costs arising from provision of the services can be estimated reliably, and it is probable that the economic benefits associated with the transaction will flow in.

**(iv) Hotel operations**

Hotel revenue from room rentals, food and beverage sales and other ancillary services are recognised when the services are rendered.

**(v) Theme parks operations**

Revenues from advance theme park ticket sales are recognised when the tickets are used. Revenues from annual pass sales are recognised ratably over the period for which the pass is available for use.

**(vi) Fitting and decoration services**

Revenue from fitting and decoration services is recognised in the accounting period in which the services are rendered.

### 2.30 EARNINGS PER SHARE

**(i) Basic earnings per share**

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares;
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

## 2 Summary of significant accounting policies *(continued)*

### 2.30 EARNINGS PER SHARE *(continued)*

**(ii) Diluted earnings per share**

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

### 2.31 DIVIDEND INCOME

Dividends are received from financial assets measured at FVPL and at FVOCI (2017 – from financial assets at FVPL and available-for-sale financial assets). Dividends are recognised as other income in profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment. In this case, the dividend is recognised in OCI if it relates to an investment measured at FVOCI. However, the investment may need to be tested for impairment as a consequence.

### 2.32 LEASES

Leases of PP&E where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The PP&E acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the balance sheet based on their nature.

## 2 Summary of significant accounting policies *(continued)*

### 2.33 DIVIDEND DISTRIBUTION

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

### 2.34 GOVERNMENT GRANTS

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of PP&E are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

### 2.35 INTEREST INCOME

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets.

Interest income on financial assets at amortised cost and financial assets at FVOCI (2017 – loans and receivables) calculated using the effective interest method is recognised in the statement of profit or loss as part of other income.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

## 3 Change in accounting policy

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in notes 2.11. In accordance with the transitional provisions in HKFRS 9, comparative figures have not been restated. As a consequence, any adjustments to carrying amounts of financial assets or liabilities are recognised at the beginning of the current reporting period, with the difference recognised in opening retained earnings. Provisions for impairment have not been restated in the comparative period, as well.

The total impact on the Group's retained earnings as at 1 January 2018 is as follows:

| | Note | **Amount RMB'000** |
|---|---|---|
| **Closing retained earnings 31 December 2017 - HKAS 39** | | 26,775,180 |
| Reclassify investments from available-for-sale to FVPL | | — |
| Increase in provision for contract assets and trade and other receivables (excluding loans to third parties) | (IV) | (16,439) |
| Increase in provision for loans to related and third parties | (IV) | (43,767) |
| Increase in provision for financial guarantees | (IV) | (35,091) |
| Increase in deferred tax assets relating to impairment provisions | | 23,824 |
| **Opening retained earnings 1 January 2018 - HKFRS 9** | | 26,703,707 |

**(I) Adjustments made to line items in the statement of profit or loss for the 2017 reporting period relate to (increase/(decrease)):**

| | 2017 RMB'000 |
|---|---|
| Decrease of administrative expenses | (2,023,891) |
| Decrease of other expenses and losses | (352,286) |
| Increase of net impairment losses on financial and contract assets | 2,376,177 |

## 3 Change in accounting policy *(continued)*

### (II) CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS

On 1 January 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. The main effects resulting from this reclassification are as follows:

| Financial assets – 1 January 2018 | FVOCI (Available-for-sale 2017) RMB'000 | FVPL RMB'000 |
|---|---|---|
| Closing balance 31 December 2017 – HKAS 39 | 871,578 | — |
| Reclassify investments from available-for-sale to FVPL | (871,578) | 871,578 |
| Opening balance 1 January 2018 - HKFRS 9 | — | 871,578 |

Equity investments previously recognised as available-for-sale were elected to presented in financial assets at FVPL (RMB872 million as at 1 January 2018). Certain investments do not meet the HKFRS 9 criteria for classification at amortised cost, because their cash flows do not represent solely payments of principal and interest.

There was no impact on the retained earnings from adoption of HKFRS 9 as no fair value gains or losses was recognised into available-for-sales financial assets reserve in previous years.

There is no impact on the Group's accounting for financial liabilities as the Group does not have any non-derivative liabilities that are measured at fair value. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

## 3 Change in accounting policy *(continued)*

### (II) CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS *(continued)*

On the date of initial application, 1 January 2018, the financial instruments of the Group were as follows, with any reclassifications noted:

| | Measurement category | | Carrying amount | | |
|---|---|---|---|---|---|
| | Original (HKAS 39) | New (HKFRS 9) | Original RMB'000 | New RMB'000 | Difference RMB'000 |
| **Non-current financial assets** | | | | | |
| Equity investments | Available for sale | FVPL | 871,578 | 871,578 | — |
| Derivative financial instruments | FVPL | FVPL | 14,865 | 14,865 | — |
| Other receivables | Amortised cost | Amortised cost | 915,750 | 915,750 | — |
| Amounts due from related companies | Amortised cost | Amortised cost | 500,016 | 500,016 | — |
| **Current financial assets** | | | | | — |
| Trade and other receivables | Amortised cost | Amortised cost | 18,411,699 | 18,411,699 | — |
| Amounts due from related companies | Amortised cost | Amortised cost | 60,582,774 | 60,582,774 | — |
| Restricted cash | Amortised cost | Amortised cost | 28,285,601 | 28,285,601 | — |
| Cash and cash equivalents | Amortised cost | Amortised cost | 68,433,256 | 68,433,256 | — |

### (III) DERIVATIVES AND HEDGING ACTIVITIES

The Group entered into certain currency derivative contracts accounted as derivative financial instruments at FVPL which were not qualified as hedging accounting currently. In prior periods, the change in fair value of the entire currency derivative contracts was recognised in profit or loss. There is no impact on the accounting under HKFRS 9.

## 3 Change in accounting policy *(continued)*

### (IV) IMPAIRMENT OF FINANCIAL ASSETS

The Group has four types of financial assets that are subject to HKFRS 9's new expected credit loss model:

- trade receivables for properties sold or services performed in the ordinary course of business
- contract assets relating to property development and sales contracts
- other receivables (excluding loans to third parties)
- loans to related and third parties

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. The impact of the change in impairment methodology on the Group's retained earnings and equity is disclosed in the table above.

While restricted cash and cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

*Contract assets, trade receivables and other receivables (excluding loans to third parties)*

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for contract assets and trade receivables. Other receivables (excluding loans to third parties) such as guarantees and deposit are considered to be low risk, and therefore the impairment provision is determined as 12 months expected credit losses.

On that basis, the loss allowance of RMB16.44 million as at 1 January 2018 (previous loss allowance was RMB64.3 million) was recognised in retained earnings and a further increase in the allowance by RMB 14.67 million in the year ended 31 December 2018. Note 4.1(b) provides for details about the calculation of the allowance.

Contract assets and trade receivables and other receivables (excluding loans to third parties) are written off when there is no reasonable expectation of recovery.

*Loans to related and third parties*

For loans to related and third parties already in place at 1 January 2018, the Group has determined that reliably assessing the probability of default at the initial recognition of each loan to related and third parties would result in undue cost and effort. As permitted by HKFRS 9, the credit provision will be determined based on whether credit risk is low only at each reporting date, until the loan is derecognised.

Applying the expected credit risk model resulted in the recognition of a loss allowance of RMB 43.77 million on 1 January 2018 (previous loss allowance was RMB 2,119.4 million) and a further increase in the allowance by RMB 3,227.06 million in the year ended 31 December 2018. Note 4.1(b) provides for details about the calculation of the allowance.

## 3 Change in accounting policy *(continued)*

### (IV) IMPAIRMENT OF FINANCIAL ASSETS *(continued)*

*Financial guarantee contract*

As descripted in note 37, the Group provides guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. In addition, the Group provided guarantees for certain joint ventures and associates for their borrowings. Applying the expected credit risk model resulted in the recognition of a loss allowance of RMB 35.1 million on 1 January 2018 (previous loss allowance was RMB 352.29 million) and a further increase in the allowance by RMB 223.58 million in the year ended 31 December 2018. Note 4.1(b) provides for details about the calculation of the allowance.

## 4 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

The Group's risk management is predominantly controlled by a central treasury department (Group treasury) under policies approved by the board of directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

### 4.1 FINANCIAL RISK FACTORS

#### (a) Market risk

##### *(i) Foreign exchange risk*

The Group's normal operating activities are principally conducted in RMB since all of the operating entities are based in the PRC. The foreign currency balances as at 31 December 2018 were primarily related to bank deposits, borrowings and the senior notes denominated in United States dollar ("USD") or Hong Kong dollar ("HKD") or European dollar ("EUR").

The Group uses foreign currency option contracts and cross currency swap contracts (the "Foreign Currency Contracts") to hedge certain risk exposures. The Group entered into these Foreign Currency Contracts in relation to future repayment of foreign bank borrowing that do not qualify as 'highly probable' forecast transactions and hence do not satisfy the requirements for hedge accounting (economic hedges). These contracts are accounted for as held for trading with gains (losses) recognised in profit or loss. No hedge accounting is applied on the Foreign Currency Contracts as the time value fair value movement results in an ineffective hedge relationship.

## 4 Financial risk management *(continued)*

### 4.1 FINANCIAL RISK FACTORS *(continued)*

#### (a) Market risk *(continued)*

##### *(i) Foreign exchange risk (continued)*

The carrying amount of the Group's foreign currency denominated monetary assets and liabilities are as follows:

| | **31 December 2018 RMB'000** | 31 December 2017 RMB'000 |
|---|---|---|
| Assets | | |
| USD | **2,650,538** | 761,625 |
| HKD | **61,616** | 5,126,283 |
| EUR | — | 133 |
| | **2,712,154** | 5,888,041 |
| Liabilities | | |
| USD | **24,613,876** | 10,725,557 |
| HKD | **3,676,208** | 2,101,784 |
| EUR | **332,631** | 331,486 |
| | **28,622,715** | 13,158,827 |

As at 31 December 2018, if RMB had strengthened/weakened by 5% against the HK dollar with all other variables held constant, the post-tax profit for the year would have been RMB172 million higher/lower (2017: RMB151 million lower/higher).

As at 31 December 2018, if RMB had strengthened/weakened by 5% against the US dollar with all other variables held constant, the post-tax profit for the year would have been RMB1,046 million higher/lower (2017: RMB498 million higher/lower).

As at 31 December 2018, if RMB had strengthened/weakened by 5% against the EUR dollar with all other variables held constant, the post-tax profit for the year would have been RMB17 million higher/lower (2017: RMB17 million higher/lower).

## 4 Financial risk management *(continued)*

### 4.1 FINANCIAL RISK FACTORS *(continued)*

#### (a) Market risk *(continued)*

***(ii) Cash flow and fair value interest rate risk***

The Group's main interest rate risk arises from long-term borrowings and interest-bearing amounts due from related companies. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk which is partially offset by cash held at variable rates. Borrowings issued and amounts due from related companies with fixed rates expose the Group to fair value interest-rate risk. In 2018, the Group's borrowings were denominated in RMB, USD, HKD and EUR. (2017: RMB, USD, HKD and EUR).

The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

The table below sets out the Group's exposure to interest rate risks. Included in the table are the assets and liabilities at carrying amounts, categorised by maturity dates.

| | Floating rates | | | | Fixed rates | | | | |
|---|---|---|---|---|---|---|---|---|---|
| RMB' million | Less than 1 year | 1 to 5 years | over 5 years | Sub-total | Less than 1 year | 1 to 5 years | over 5 years | Sub-total | Total |
| **At 31 December 2018** | | | | | | | | | |
| Amount due from related companies | — | — | — | — | **20,308** | — | — | **20,308** | **20,308** |
| Borrowings | **18,778** | **38,526** | **2,586** | **59,890** | **73,268** | **95,378** | **873** | **169,519** | **229,409** |
| At 31 December 2017 | | | | | | | | | |
| Amount due from related companies | — | — | — | — | 19,296 | — | — | 19,296 | 19,296 |
| Borrowings | 30,173 | 40,970 | 5,318 | 76,461 | 48,500 | 91,285 | 3,024 | 142,809 | 219,270 |

As at 31 December 2018, if the interest rates on borrowings had been 100 basis points higher/lower with all other variables held constant, the post-tax profit for the year would have been lower/higher by RMB 48.49 million (2017: lower/higher by RMB 364.4 million) and the capitalised interest for the year would have been higher/lower by RMB 495.85 million (2017: higher/lower by RMB 326.95 million) respectively.

The Group's management team centrally authorises all loans entered into by operating entities and sets a benchmark interest rate within which the entity management teams can negotiate loans with their local lenders prior to obtaining central approval from the Group management. The interest rate benchmark is reassessed annually by the Group management team.

The Group also analyses its interest rate exposure monthly by considering refinancing, renewal of existing positions and alternative financing.

## 4 Financial risk management *(continued)*

### 4.1 FINANCIAL RISK FACTORS *(continued)*

#### (a) Market risk *(continued)*

***(iii) Price risk***

The Group's exposure to equity securities price risk arises from investments held by the Group and classified in the balance sheet as financial assets at FVPL (note 13). The Group monitor the pricing change of these equity securities during each reporting period to manage the price risk.

The Group's equity investments are publicly in the Hong Kong Stock Exchange. As at 31 December 2018, if the pricing of securities has increased/decreased by 5% with all other variables held constant, the post-tax profit for the year would have been RMB 12.7 million higher/lower (2017: nil).

#### (b) Credit risk

***(i) Risk management***

The Group has no significant concentrations of credit risk. The maximum extent of the Group's credit exposure in relation to financial assets is represented by the aggregate balance of cash and cash equivalents, restricted cash, contract assets, trade and other receivable, amounts due from related companies, financial assets at fair value through profit or loss included in the consolidated balance sheets and financial guarantees provided to related companies and guarantees on mortgage facilities.

Cash transactions are limited to high-credit-quality banks. The Group has policies in place to ensure that sales of properties are made to customers with an appropriate financial strength and appropriate percentage of down payment. Credit is granted to customers with sufficient financial strength. It also has continuous monitoring procedures to ensure the collection of the receivables as scheduled and follow up action is taken to recover overdue debts, if any.

Certain customers of the Group have arranged bank financing for their purchases of the properties. The Group entities have provided guarantees to secure obligations of such customers for repayments, normally up to the time when the customers obtain the legal certificates of the property ownership.

## 4 Financial risk management *(continued)*

### 4.1 FINANCIAL RISK FACTORS *(continued)*

#### (b) Credit risk *(continued)*

***(ii) Impairment of financial assets***

The Group has four types of financial assets that are subject to HKFRS 9's new expected credit loss model:

- trade receivables for properties sold or services performed in the ordinary course of business
- contract assets relating to property development and sales contracts
- other receivables (excluding loans to third parties)
- loans to related and third parties

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

*Contract assets and trade receivables*

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for contract assets and trade receivables.

To measure the expected credit losses, contract assets and trade receivables have been grouped based on shared credit risk characteristics and the ageing analysis. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 36 month before 31 December 2018 or 1 January 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

## 4 Financial risk management *(continued)*

### 4.1 FINANCIAL RISK FACTORS *(continued)*

#### (b) Credit risk *(continued)*

##### *(ii) Impairment of financial assets (continued)*

On that basis, the loss allowance as at 31 December 2018 and 1 January 2018 (on adoption of HKFRS 9) was determined as follows for contract assets and trade receivables:

| 31 December 2018 | Current | More than 90 days | More than 180 days | More than 1 years | Total |
|---|---|---|---|---|---|
| Expected loss rate | 0.01% | 0.29% | 2.30% | 3.38% | 1.29% |
| Gross carrying amount | 769,425 | 42,911 | 145,901 | 420,722 | 1,378,959 |
| Loss allowance | 82 | 126 | 3,361 | 14,238 | 17,807 |

| 1 January 2018 | Current | More than 90 days | More than 180 days | More than 1 years | Total |
|---|---|---|---|---|---|
| Expected loss rate | 0.004% | — | 2.30% | 3.71% | 1.11% |
| Gross carrying amount | 1,016,405 | — | 62,653 | 402,621 | 1,481,679 |
| Loss allowance | 39 | — | 1,443 | 14,957 | 16,439 |

*Other receivables (excluding loans to third parties)*

Other receivables (excluding loans to third parties) such as guarantee and deposit are all considered to have low credit risk and the loss allowance recognised during the period was therefore limited to 12 months expected losses. Management consider 'low credit risk' for financial instruments when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. On that basis, the loss allowance for other receivables (excluding loans to third parties) was RMB 77.6 million as at 31 December 2018.

## 4 Financial risk management *(continued)*

### 4.1 FINANCIAL RISK FACTORS *(continued)*

#### (b) Credit risk *(continued)*

##### *(ii) Impairment of financial assets (continued)*

*Loans to related and third parties*

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower
- significant increases in credit risk on other financial instruments of the same borrower
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the group and changes in the operating results of the borrower.

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model.

## 4 Financial risk management *(continued)*

### 4.1 FINANCIAL RISK FACTORS *(continued)*

#### (b) Credit risk *(continued)*

##### *(ii) Impairment of financial assets (continued)*

A default on a financial asset is when the counterparty fails to make contractual payments within 90 days of when they fall due.

The Group uses four categories for loans which reflect their credit risk and how the loan loss provision is determined for each of those categories.

A summary of the assumptions underpinning the Group's expected credit loss model is as follows:

| Category | Group definition of category | Basis for recognition of expected credit loss provision |
|---|---|---|
| Performing | Customers have a low risk of default and a strong capacity to meet contractual cash flows | 12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime |
| Underperforming | Loans for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due | Lifetime expected losses |
| Non-performing | Interest and/or principal repayments are 90 days past due | Lifetime expected losses |
| Write-off | There is no reasonable expectation of recovery | Asset is written off |

Over the terms of the loans, the Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of loan, and adjusts for forward looking macroeconomic data. As at 31 December 2018, the Group provides for credit losses against loans to related parties and third parties as follows:

| Company internal credit rating | Expected credit loss rate | Basis for recognition of expected credit loss provision | Estimated gross carrying amount at default | Carrying amount (net of impairment provision) | Basis for calculation of interest revenue |
|---|---|---|---|---|---|
| Performing | 0.94% | 12 month expected losses | 14,323,847 | 14,189,203 | Gross carrying amount |
| Non-performing | 88.75% | Lifetime expected losses | 5,922,038 | 666,452 | Amortised cost carrying amount (net of credit allowance) |

No significant changes to estimation techniques or assumptions were made during the reporting period.

## 4 Financial risk management *(continued)*

### 4.1 FINANCIAL RISK FACTORS *(continued)*

#### (b) Credit risk *(continued)*

##### *(ii) Impairment of financial assets (continued)*

The loss allowance for loans to related parties and third parties as at 31 December 2017 reconciles to the opening loss allowance on 1 January 2018 and to the closing loss allowance as at 31 January 2018 as follows:

| | Contract assets | | Trade and other receivables | | Amounts due from related parties | |
|---|---|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 | **2018** | 2017 |
| | **RMB 000** | RMB 000 | **RMB 000** | RMB 000 | **RMB 000** | RMB 000 |
| **1 January – calculated under HKAS 39** | — | — | **690,446** | 81,874 | **1,493,257** | 77,938 |
| Amounts restated through opening retained earnings | **10** | — | **60,196** | — | — | — |
| Opening loss allowance as at 1 January 2018 – calculated under HKFRS 9 | **10** | — | **750,642** | 81,874 | **1,493,257** | 77,938 |
| Increase in loss allowance recognised in profit or loss during the year | **25** | — | **85,827** | 608,610 | **3,685,282** | 1,493,257 |
| Unused amount reversed | — | — | **(529,401)** | (38) | — | (77,938) |
| **At 31 December** | **35** | — | **307,068** | 690,446 | **5,178,539** | 1,493,257 |

Contract assets, trade and other receivables and amounts due from related parties are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group. Where loans or receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

Impairment losses on contract assets, trade and other receivables and amounts due from related parties are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

## 4 Financial risk management *(continued)*

### 4.1 FINANCIAL RISK FACTORS *(continued)*

#### (b) Credit risk *(continued)*

##### *(ii) Impairment of financial assets (continued)*

During the year, the following impairment losses or reversal were recognised in profit or loss in relation to impaired financial assets:

| | **2018** | 2017 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Impairment losses | | |
| – individually impaired receivables (previous accounting policy) | **3,658,595** | 2,023,891 |
| – movement in loss allowance for contract assets and trade and other receivables and amounts due from related parties | **112,539** | — |
| Expected credit losses on financial guarantee | **243,662** | 352,286 |
| Reversal of previous impairment losses | **(529,401)** | — |
| Net impairment losses on financial and contract assets | **3,485,395** | 2,376,177 |

*Previous accounting policy for impairment of trade and other receivables and amounts due from related parties*

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. The other receivables and amount due from related parties were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet been identified. For these receivables, the estimated impairment losses were recognised in a separate provision for impairment. The Group considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties of the debtor,
- probability that the debtor will enter bankruptcy or financial reorganisation, and
- default or late payments (more than 90 days overdue).

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

## 4 Financial risk management *(continued)*

### 4.1 FINANCIAL RISK FACTORS *(continued)*

**(b) Credit risk** *(continued)*

***(ii) Impairment of financial assets*** *(continued)*

*Financial assets at fair value through profit or loss*

The Group is also exposed to credit risk in relation to debt investments that are measured at fair value through profit or loss. The maximum exposure at the end of the reporting period is the carrying amount of these investments (RMB 788.1 million; (2017 – nil)).

*Financial guarantees*

The loss allowance for financial guarantee contracts was determined based on the same policy as loans to related and third parties. On that basis, the loss allowance for financial guarantees was RMB 387.39 million as at 1 January 2018 and a further increase in the allowance of RMB 223.58 million as at 31 December 2018.

**(c) Liquidity risk**

Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group finance. Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements – for example, currency restrictions.

The Group has a number of alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include adjusting and further slowing down the construction progress as appropriate to ensure available resources for the development of properties for sale, implementing cost control measures, accelerating sales with more flexible pricing and issuing senior notes. The Group, will base on its assessment of the relevant future costs and benefits, pursue such options as are appropriate. The Directors consider that the Group will be able to maintain sufficient financial resources to meet its operation needs.

Due to the dynamic nature of the underlying businesses, the Group's central treasury department maintains flexibility in funding by its ability to move cash and cash equivalents between different entities through related parties borrowing arrangements.

# 4 Financial risk management *(continued)*

## 4.1 FINANCIAL RISK FACTORS *(continued)*

### (c) Liquidity risk *(continued)*

#### *(i) Financing arrangements*

The Group had access to the following undrawn borrowing facilities at the end of the reporting period:

| | **2018** | 2017 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| – Expiring within one year (bank loans) | **7,593,256** | 3,631,570 |
| – Expiring beyond one year (bank loans) | **34,867,140** | 21,073,482 |
| | **42,460,396** | 24,705,052 |

Subject to the continuance of satisfactory credit ratings, the bank loan facilities may be drawn at any time in either RMB or USD and have an average maturity of 1.66 years (2017: 2.43 years).

#### *(ii) Maturities of financial liabilities*

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on their contractual maturities for:

- all non-derivative financial liabilities, and
- net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows.

## 4 Financial risk management *(continued)*

### 4.1 FINANCIAL RISK FACTORS *(continued)*

#### (c) Liquidity risk *(continued)*

##### *(ii) Maturities of financial liabilities (continued)*

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

| In RMB' million | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years | Total |
|---|---|---|---|---|---|
| **At 31 December 2018** | | | | | |
| Borrowings and interest payments | **106,645** | **83,492** | **63,236** | **4,038** | **257,411** |
| Trade and other payables (note 24) | **86,403** | — | **1,474** | — | **87,877** |
| Amounts due to related companies (note 43(D)) | **62,663** | — | — | — | **62,663** |
| Derivative financial instruments (note 26) | **14** | — | **80** | — | **94** |
| Financial guarantee contracts (note 37) | **95,525** | **10,976** | **5,918** | — | **112,419** |
| **At 31 December 2017** | | | | | |
| Borrowings and interest payments | 91,339 | 62,421 | 86,242 | 9,823 | 249,825 |
| Trade and other payables (note 24) | 64,537 | 1,492 | — | — | 66,029 |
| Amounts due to related companies (note 43(D)) | 91,947 | — | — | — | 91,947 |
| Derivative financial instruments (note 26) | 54 | 78 | 89 | — | 221 |
| Financial guarantee contracts (note 37) | 66,495 | — | — | — | 66,495 |

Note:

– The interest payments on borrowings are calculated based on borrowings held as at 31 December 2018 and 2017 without taking into account of future borrowings. Floating-rate interest is estimated using the current interest rate at 31 December 2018 and 2017 respectively.

– Trade and other payables in this analysis do not include the taxes payables and payroll and welfare payables.

## 4 Financial risk management *(continued)*

### 4.2 CAPITAL MANAGEMENT

The Group's objectives when managing capital are to

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and
- maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity holders, return capital to equity holders, issue new shares or sell assets to reduce debts.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less cash and cash equivalents (including restricted cash). Total capital is calculated by adding total equity and net debt.

The gearing ratios of the Group as at 31 December 2018 and 2017 were as follows:

| | **31 December 2018 RMB'000** | 31 December 2017 RMB'000 |
|---|---|---|
| Total borrowings (note 25) | **229,409,063** | 219,269,846 |
| Less: Restricted cash (note 18) | **(44,017,011)** | (28,285,601) |
| Cash and cash equivalents (note 19) | **(76,181,041)** | (68,433,256) |
| Net debt | **109,211,011** | 122,550,989 |
| Total capital | **182,317,580** | 183,189,214 |
| Gearing ratio | **59.90%** | 66.90% |

Under the terms of the major borrowing facilities, the Group is required to comply with the following financial covenants:

- the fixed charge coverage ratio of consolidated EBITDA to consolidated fixed charges must be not less than 2 to 1 (the consolidated fixed charges mainly included consolidated interest expenses and dividend paid and declared during a period)
- the liabilities/assets ratio of individual subsidiary must be not more than 70% to 90%, and
- the equity/assets ratio of individual subsidiary must be not less than 30%.

## 5 Fair value estimation

### (A) FINANCIAL ASSETS AND LIABILITIES

#### (i) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

***Recurring fair value measurements***

| **At 31 December 2018** | Note | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|---|
| | | **RMB'000** | **RMB'000** | **RMB'000** | **RMB'000** |
| **Financial assets** | | | | | |
| Financial assets at FVPL | 13 | **302,296** | — | **9,703,796** | **10,006,092** |
| Derivative financial instruments | 26 | — | **153,507** | **125,817** | **279,324** |
| **Financial liabilities** | | | | | |
| Derivative financial instruments | 26 | — | **93,526** | — | **93,526** |

***Recurring fair value measurements***

| At 31 December 2017 | Note | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|---|
| | | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **Financial assets** | | | | | |
| Available-for-sale financial assets | 13 | — | — | 871,578 | 871,578 |
| Derivative financial instruments | 26 | — | 14,865 | — | 14,865 |
| **Financial liabilities** | | | | | |
| Derivative financial instruments | 26 | — | 221,473 | — | 221,473 |

## 5 Fair value estimation *(continued)*

### (A) FINANCIAL ASSETS AND LIABILITIES *(continued)*

#### (i) Fair value hierarchy *(continued)*

During the year ended 31 December 2018, there were no transfers between levels 1 and 2 for recurring fair value measurements during the year. For transfers out of level 3 measurements see (iii) below.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

**Level 1:** The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

**Level 2:** The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

**Level 3:** If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

#### (ii) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments;
- discounted cash flow model and unobservable inputs mainly including assumptions of expected future cash flows and discount rate;
- equity allocation model and price/booking multiple method with observable and unobservable inputs, including risk-free rate, expected volatility, discount rate for lack of marketability, market multiples and etc;
- for currency derivative contracts — option pricing model and the present value of the estimated future premium payments set out in these contracts, and
- for option embedded in the corporate bond contracts — option pricing model (eg Black Scholes model).

## 5 Fair value estimation *(continued)*

### (A) FINANCIAL ASSETS AND LIABILITIES *(continued)*

#### (ii) Valuation techniques used to determine fair values *(continued)*

The financial instruments classified as level 2 represent currency derivative contracts entered into with certain commercial banks and option embedded in the corporate bond contracts. The contracts do not qualify for hedge accounting, so that they are classified as derivative financial instruments on the balance sheet and with fair value changes recognised in the profit or loss.

As at 31 December 2018 and 2017, the Group's level 3 instruments included unlisted equity investments, debt instruments and forward contracts embedded in acquisition contract.

#### (iii) Fair value measurements using significant unobservable inputs (level 3) and valuation inputs and relationships to fair value

The following table presents the changes in level 3 items for the periods ended 31 December 2018 and 31 December 2017:

| | Derivative financial instruments | Financial assets at FVPL | | |
|---|---|---|---|---|
| | | Unlisted equity securities | Debt instruments | Total |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **Opening balance 1 January 2017** | — | 160,000 | — | 160,000 |
| Acquisitions | — | 711,578 | — | 711,578 |
| **Closing balance 31 December 2017** | — | 871,578 | — | 871,578 |
| Acquisitions | — | 7,698,945 | 841,399 | 8,540,344 |
| Disposals | — | (339,001) | — | (339,001) |
| Transfer to level 1 | — | (257,996) | — | (257,996) |
| Gains/(losses) recognised in other income | 125,817 | 942,131 | (53,260) | 888,871 |
| **Closing balance 31 December 2018** | 125,817 | 8,915,657 | 788,139 | 9,703,796 |

In 2018, one of equity investments has been listed on Hong Kong Exchange and there is quoted market prices used for valuation. Correspondingly, the Group transferred the equity securities from level 3 into level 1.

## 5 Fair value estimation *(continued)*

### (A) FINANCIAL ASSETS AND LIABILITIES *(continued)*

**(iii) Fair value measurements using significant unobservable inputs (level 3) and valuation inputs and relationships to fair value** *(continued)*

The following table summarises the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements. See (ii) above for the valuation techniques adopted.

| | Fair value at | | | | Range of significant unobservable inputs | |
|---|---|---|---|---|---|---|
| **Description** | **31 Dec 2018 RMB'000** | 31 Dec 2017 RMB'000 | **Valuation method** | **Significant unobservable inputs** | **2018** | 2017 |
| Unlisted equity securities and forward contracts embedded in acquisition contract | **9,041,474** | — | Equity allocation model and price/ booking multiple method | Discount rate for lack of marketability | **12%-25%** | — |
| | | | | Expected volatility rate | **48.91%-55.38%** | — |
| Other financial instruments | **788,139** | 871,578 | Discounted cash flow | Discounted rate | **6.50%-10%** | 6.50%-10% |

Relationships of unobservable inputs to fair value are as follows:

- The higher rate of discount rate, the lower fair value;
- The higher rate of discount rate for lack of marketability, the lower fair value;
- The higher rate of expected volatility, the lower fair value;
- The higher interest rate, the higher fair value.

The management performs the valuation of financial instruments for financial reporting purposes. Unobservable inputs including discount rate, expected volatility rate and interest rate are assessed by the independent valuers based on current market assessments of the time value of money and the risk specific to the asset being valued.

## 5 Fair value estimation *(continued)*

### (A) FINANCIAL ASSETS AND LIABILITIES *(continued)*

#### (iv) Fair values of other financial instruments (unrecognised)

The Group also has a number of financial instruments which are not measured at fair value in the balance sheet. For the majority of these instruments, the fair values are not materially different to their carrying amounts, since the interest receivable/payable is either close to current market rates or the instruments are short-term in nature. Significant differences were identified for the following instruments at 31 December 2018:

| | **Carrying amount RMB'000** | **Fair value RMB'000** |
|---|---|---|
| **Non-current borrowings:** | | |
| – Corporate bonds (note 25) | 7,792,522 | 7,700,733 |
| – Private domestic corporate bonds (note 25) | 16,994,986 | 17,949,939 |

### (B) NON-FINANCIAL ASSETS AND LIABILITIES

#### (i) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the non-financial assets that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its non-financial assets and liabilities into the three levels prescribed under the accounting standards. An explanation of each level is provided in note 5(A).

| **At 31 December 2018** | Note | **Level 1 RMB'000** | **Level 2 RMB'000** | **Level 3 RMB'000** | **Total RMB'000** |
|---|---|---|---|---|---|
| Investment properties | 9 | — | — | **16,195,739** | **16,195,739** |

| At 31 December 2017 | Note | Level 1 RMB'000 | Level 2 RMB'000 | Level 3 RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| Investment properties | 9 | — | — | 12,821,611 | 12,821,611 |

During the year ended 31 December 2018, there were no reclassifications of non-financial assets and non-liabilities and no transfers between different levels.

## 5 Fair value estimation *(continued)*

### (B) NON-FINANCIAL ASSETS AND LIABILITIES *(continued)*

#### (ii) Valuation techniques used to determine level 3 fair values

At the end of each reporting period, the management of the Group update their assessment of the fair value of the investment properties, taking into account the most recent independent valuations. The management determine a property's value within a range of reasonable fair value estimates.

The best evidence of fair value is current prices in an active market for similar properties. Where such information is not available the management determine the fair value based on below valuation techniques:

- Income capitalisation approach - capitalised income projections based upon a property's estimated net market income, vacancy rate and a capitalisation rate derived from an analysis of market evidence;
- Direct comparison method - current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences;
- Residual method - used in valuing investment properties under development by establishing the market value on the premise that the properties will be developed and completed in accordance with its latest development plan. The residual valuation of valued properties can be expressed as the market value deducts the estimated costs to complete and developers' profit to reflect the total value of the partially completed development.

## 5 Fair value estimation *(continued)*

### (B) NON-FINANCIAL ASSETS AND LIABILITIES *(continued)*

**(iii) Fair value measurements using significant unobservable inputs (level 3) and valuation inputs and relationships to fair value**

See note 9 for further information about the changes in level 3 items for the periods ended 31 December 2018 and 2017.

The following table summarises the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements. See (ii) above for the valuation techniques adopted.

| | Fair value at | | | | Range of significant unobservable inputs | |
|---|---|---|---|---|---|---|
| Description | 31 Dec 2018 RMB'000 | 31 Dec 2017 RMB'000 | Valuation method | Significant unobservable inputs | 2018 | 2017 |
| Office buildings | **1,414,113** | 621,537 | Income capitalisation approach | Prevailing market rents; Vacancy Rate; Discount rates | RMB90-RMB185 per unit per month Vacancy rate: 0%-40% Discount rates: 4%-5.25% | RMB85-RMB164 per unit per month Vacancy rate: 15%-30% Discount rates: 4.5%-7% |
| Shopping malls | **10,610,000** | 8,213,570 | Income capitalisation approach | Prevailing market rents; Vacancy Rate; Discount rates | RMB55-RMB240 per unit per month Vacancy rate: 0%-50% Discount rates: 4.5%-7% | RMB85-RMB164 per unit per month Vacancy rate: 15%-30% Discount rates: 4.5%-7% |
| Construction in progress | **4,171,626** | 3,986,504 | Residual method; Direct comparison method | Prevailing market rents; Vacancy Rate; Discount rates; Developer's profit rate; Land Value | RMB70-RMB220 per unit per month Vacancy rate: 0%-55% Discount rates: 4.5%-5.5% Developer's profit rate: 10%-15% | RMB1,521-RMB6,149 per unit floor |

Relationships of unobservable inputs to fair value are as follows:

- The higher rate of discount rate, the lower fair value;
- The higher expected vacancy rate, the lower fair value;
- The higher monthly rental, the higher fair value;
- The higher developer's profit rate, the lower fair value;
- The higher land value, the higher fair value.

## 5 Fair value estimation *(continued)*

### (B) NON-FINANCIAL ASSETS AND LIABILITIES *(continued)*

#### (iv) Valuation processes

As at 31 December 2018, management obtains independent valuations for its investment properties including office buildings, shopping malls and commercial properties. The independent valuation of these buildings was performed by DTZ Cushman & Wakefield Limited.

The main level 3 inputs used by the Group are derived and evaluated as follows:

Office buildings, shopping malls and commercial properties – discount rates, expected vacancy rates, prevailing market rents per unit per month and developer's profit rate are estimated by independent valuer or management based on comparable transactions and industry data.

## 6 Critical accounting estimates and judgements

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

### (A) PRC CORPORATE INCOME TAXES AND DEFERRED TAXATION

The Group's subsidiaries that operate in the PRC are subject to income tax in the PRC. Significant judgement is required in determining the provision for income tax and withholding tax on undistributed earnings of PRC subsidiaries. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters (including the effect of change in the dividend policies of PRC subsidiaries) is different from the amounts that were initially recorded, such differences will impact the current and deferred tax assets and liabilities in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

## 6 Critical accounting estimates and judgements *(continued)*

### (B) PRC LAND APPRECIATION TAX ("LAT")

The implementation and settlement of LAT varies among various tax jurisdictions in cities of the PRC, significant judgement is required in determining the amount of the land appreciation and its related taxes. The Group recognised these land appreciation taxes based on management's best estimates according to its understanding of the interpretation of tax rules by various tax authorities. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income taxes and deferred income tax provisions in the years in which such taxes have been finalised with local tax authorities.

### (C) ESTIMATED NET REALISABLE VALUE OF PROPERTIES UNDER DEVELOPMENT AND COMPLETED PROPERTIES HELD FOR SALE

The Group assesses the carrying amounts of properties under development and completed properties held for sale based on the net realisable value of these properties, taking into account costs to completion based on past experience and net sales value based on prevailing market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of judgement and estimates.

### (D) FAIR VALUE OF INVESTMENT PROPERTIES

The Group assesses the fair value of its investment properties based on valuations determined by independent and professional qualified valuer. Significant judgement and assumptions are required in assessing the fair value of the investment properties. Details of the judgement and assumptions have been disclosed in note 5(B).

### (E) IMPAIRMENT OF INVESTMENT

The Group tests assets for impairment whenever investments suffer any impairment in accordance to the accounting policies. Investments are reviewed for impairment, whenever events or changes in circumstances that may cause the carrying amounts to the investments to exceed their recoverable amounts. The recoverable amount of an investment is determined as the higher of cash generating unit (CGU)'s fair value less cost to sell and its value-in-use which require the use of assumptions. The estimation of fair value less cost of disposal was made mainly from public market information. The estimated future cash flows used in the value in use assessments are based on assumptions, such as selling price, sales volume, gross margin, box office receipts, distribution commissions, promotion expenditures, and discount rates.

### (F) IMPAIRMENT OF FINANCIAL ASSETS

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the tables in note 4.1(b).

## 6 Critical accounting estimates and judgements *(continued)*

### (G) REVENUE RECOGNITION

The Group has recognised revenue from the sale of properties held for sale as disclosed in note 2.29. Revenue is recognised over time when the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; otherwise, revenue is recognised at a point in time when the buyer obtains control of the completed property. The properties have generally no alternative use for the Group due to contractual restrictions. However, whether there is an enforceable right to payment and hence the related contract revenue is recognised over time, depends on the terms of each contract and the relevant laws that apply to that contract. To assess the enforceability of right to payment, the Group has reviewed the terms of its contracts, the relevant local laws, the local regulators' views and obtained legal advice, when necessary, and a significant judgement is required.

As disclosed in note 37, the Group provides guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. These guarantees will expire when relevant property ownership certificates are mortgaged to banks by the purchasers. In order to obtain mortgage loans, the purchasers need to settle certain percentage of the total contract amount in accordance with related PRC regulations upon delivery of the properties. The Directors of the Company are of the opinion that such settlements provide sufficient evidence of the purchasers' commitment to honour contractual obligation of the bank loans. In addition, based on past experiences, there were no significant defaults of mortgage facilities by the purchasers resulting in the calling of the bank guarantees provided. Accordingly, the Directors believe that control of the properties have been transferred to the purchasers.

### (H) GAINS FROM BUSINESS COMBINATION

For the acquired business, the excess amounts of fair values of net amounts of the identifiable assets acquired and the liabilities over the considerations were recognised as gains in consolidated statement of comprehensive income. The Group exercised significant estimates and judgment in determination of the fair value of identifiable assets acquired which mainly based on the market information and future cash flows that involved a number of factors, including the future unit selling price, estimated future costs to finish the completion of the whole project development, estimated profit and discount rate.

### (I) ESTIMATION OF GOODWILL IMPAIRMENT

The Group tests whether goodwill has suffered any impairment on an annual basis. For the 2018 and 2017 reporting period, the recoverable amount of a cash generating unit (CGU) was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial estimate of management covering a reasonably forecast period.

Cash flows beyond the forecasting period are extrapolated using the estimated growth rates stated in note 10. These growth rates are consistent with management's expectations of market development specific to the industry in which each CGU operates.

Details of impairment charge, key assumptions and impact of possible changes in key assumptions are disclosed in note 10.

## 7 Segment information

The executive directors of the Company review the Group's internal reporting in order to assess performance and allocate resources of the Group. The executive directors of the Company have determined the operating segments based on these reports.

The executive directors assess the performance of the Group organised as follows:

- Property development
- Cultural and tourism city operation
- All other segments

In 2018, the Group established the Sunac Cultural and Tourism Group and expanded its management team. Upon completion of above activities, the Group commenced to directly manage the operation of the hotels, shopping malls and theme parks in the cultural and tourism cities (including the design, construction and operation of the cultural and tourism cities). Cultural and tourism city operation has been identified as a new independent reportable segment and the segment information of 2017 was restated correspondingly.

Other services include property management, office building rentals and fitting and decoration services. The results of these operations are included in the "all other segments" column.

The performance of above operating segments is assessed based on a measure of profit before depreciation and amortisation, interest expenses and income tax expenses, defined as segment results.

Segment assets primarily consist of all assets excluding deferred tax assets, financial assets at FVPL (available-for-sale financial assets in 2017), derivative financial instruments and certain investments accounted using the equity method, which are managed on a central basis. Segment liabilities primarily consist of all liabilities excluding deferred tax liabilities, current tax liabilities, provisions and derivative financial instruments.

## 7 Segment information *(continued)*

The segment results are as follows:

| | Year ended 31 December 2018 | | | |
|---|---|---|---|---|
| | Property development RMB'000 | Cultural and tourism city operation RMB'000 | All other segments RMB'000 | Total RMB'000 |
| Total segment revenue | 117,714,286 | 2,027,898 | 8,746,886 | 128,489,070 |
| Recognised at a point in time | 87,761,403 | 704,318 | — | 88,465,721 |
| Recognised over time | 29,952,883 | 1,323,580 | 8,746,886 | 40,023,349 |
| Inter-segment revenue | — | — | (3,743,447) | (3,743,447) |
| **Revenue from external customers** | 117,714,286 | 2,027,898 | 5,003,439 | 124,745,623 |
| **Segment gross profit** | 27,963,424 | 914,749 | 2,913,020 | 31,791,193 |
| Net impairment losses on financial and contract assets | (206,924) | — | — | (206,924) |
| Selling and marketing costs | (4,062,549) | (150,980) | (76,310) | (4,289,839) |
| Administrative expenses | (5,824,482) | (703,425) | (562,347) | (7,090,254) |
| Other income and gains | 10,275,942 | 240,025 | 21,939 | 10,537,906 |
| Other expenses and losses | (665,309) | (41,284) | (8,470) | (715,063) |
| Finance income | 806,208 | — | — | 806,208 |
| Share of post-tax profits of associates and joint ventures accounted for using equity method, net | 5,326,269 | — | — | 5,326,269 |
| **Segment results** | 33,612,579 | 259,085 | 2,287,832 | 36,159,496 |

| | As at 31 December 2018 | | | |
|---|---|---|---|---|
| | Property development RMB'000 | Cultural and tourism city operation RMB'000 | All other segments RMB'000 | Total RMB'000 |
| **Total segment assets** | 605,541,049 | 78,928,979 | 15,599,444 | 700,069,472 |
| **Total segment liabilities** | 566,196,937 | 6,627,296 | 13,023,807 | 585,848,040 |

## 7 Segment information *(continued)*

| | Year ended 31 December 2017 (Restated) | | | |
|---|---|---|---|---|
| | Property development RMB'000 | Cultural and tourism city operation RMB'000 | All other segments RMB'000 | Total RMB'000 |
| Total segment revenue | 62,569,237 | 1,085,948 | 2,687,673 | 66,342,858 |
| Recognised at a point in time | 49,040,247 | — | — | 49,040,247 |
| Recognised over time | 13,528,990 | 1,085,948 | 2,687,673 | 17,302,611 |
| Inter-segment revenue | — | — | (469,343) | (469,343) |
| **Revenue from external customers** | 62,569,237 | 1,085,948 | 2,218,330 | 65,873,515 |
| **Segment gross profit** | 12,164,294 | 485,814 | 1,192,283 | 13,842,391 |
| Net impairment losses on financial and contract assets | 77,938 | — | — | 77,938 |
| Selling and marketing costs | (3,201,000) | (76,635) | (111,881) | (3,389,516) |
| Administrative expenses | (2,831,904) | (354,091) | (254,870) | (3,440,865) |
| Other income and gains | 27,864,090 | 14,702 | 37,471 | 27,916,263 |
| Other expenses and losses | (515,194) | (923) | (4,362) | (520,479) |
| Finance income | 736,000 | — | — | 736,000 |
| Share of post-tax profits of associates and joint ventures accounted for using equity method, net | 2,482,315 | — | 225 | 2,482,540 |
| **Segment results** | 36,776,539 | 68,867 | 858,866 | 37,704,272 |

| | As at 31 December 2017 (Restated) | | | |
|---|---|---|---|---|
| | Property development RMB'000 | Cultural and tourism city operation RMB'000 | All other segments RMB'000 | Total RMB'000 |
| Total segment assets | 565,926,857 | 49,892,249 | 2,426,544 | 618,245,650 |
| Total segment liabilities | 502,291,456 | 7,396,845 | 3,643,818 | 513,332,119 |

## 7 Segment information *(continued)*

Reportable segments results are reconciled to total profit for the year as follows:

| | **2018** | 2017 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Total segment results | **36,159,496** | 37,704,272 |
| Net impairment losses on financial and contract assets | **(3,278,471)** | (2,454,115) |
| Depreciation and amortisation | **(992,164)** | (339,145) |
| Finance costs | **(2,893,493)** | (5,259,450) |
| Other income and gains | **1,310,185** | — |
| Other expenses and losses | **(1,271,048)** | (9,816,430) |
| Share of losses of investments accounted for using equity method, net | **(370,275)** | (4,476,144) |
| Income tax expenses | **(11,219,229)** | (3,694,608) |
| **Profit for the year** | **17,445,001** | 11,664,380 |

Reportable segments' assets and liabilities are reconciled to total assets and liabilities as follows:

| | **31 December 2018** | 31 December 2017 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Total segment assets | **700,069,472** | 618,245,650 |
| Deferred tax assets | **2,984,740** | 1,913,730 |
| Other assets | **13,605,778** | 2,942,858 |
| **Total assets** | **716,659,990** | 623,102,238 |
| Total segment liabilities | **585,848,040** | 513,332,119 |
| Deferred tax liabilities | **33,383,440** | 34,498,436 |
| Other liabilities | **24,321,941** | 14,633,458 |
| **Total liabilities** | **643,553,421** | 562,464,013 |

## 7 Segment information *(continued)*

### ASSETS AND LIABILITIES RELATED TO CONTRACTS WITH CUSTOMERS

The Group has recognised the following assets and liabilities related to contracts with customers:

| | **31 December 2018 RMB'000** | 31 December 2017 RMB'000 |
|---|---|---|
| Related to development and sales of properties contracts: | | |
| Current contract assets | **19,333** | 263,936 |
| Cost to obtain the contract | **913,030** | — |
| Loss allowance | **(35)** | — |
| Total contract assets | **932,328** | 263,936 |
| Contract liabilities | **199,378,610** | 131,190,587 |

**(i) Significant changes in contract assets and liabilities**

As at 31 December 2018, the contract assets mainly consisted of unbilled amount resulting from sale of properties when the cost-to-cost method of revenue recognised exceeds the amount billed to the customer.

As at 31 December 2018, the contract liabilities mainly included the payments received from sales of properties which were usually received in advance of the performance under the contracts. The increase in contract liabilities during the year was in line with the growth of the Group's contracted sales and also due to an amount of RMB 23.8 billion recognised in relation to business combination.

**(ii) Revenue recognised in relation to contract liabilities**

Revenue from sales of properties totalled approximately RMB 92.7 billion was recognised in current reporting period that was included in the contract liability balance at the beginning of the year.

**(iii)** Management expects that the majority of the contract amounts allocated to unsatisfied performance obligations totalled RMB 57.5 billion as of 31 December 2018 will be recognised as revenue from sales of properties during the next reporting period.

**(iv) Assets recognised from costs to obtain a contract**

The Group has recognised the sales commissions directly attributable to obtaining a contract as contract assets in the balance sheet. These assets will be amortised as selling expenses in line with relevant revenue recognition. Sales commissions totalled RMB 1.5 billion recognised as contract assets during the year and RMB 0.6 billion has been amortised in current reporting period. Management expects that the majority of the contract assets will be recognised during the next reporting period.

## 8 Property, plant and equipment

| | Note | Buildings RMB'000 | Vehicles RMB'000 | Furniture and office equipment RMB'000 | Leasehold Improve-ments RMB'000 | Construction in progress RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|
| **At 1 January 2017** | | | | | | | |
| Cost | | 363,742 | 85,431 | 110,245 | 99,979 | — | 659,397 |
| Accumulated depreciation | | — | (47,727) | (40,521) | (24,623) | — | (112,871) |
| Net book amount | | 363,742 | 37,704 | 69,724 | 75,356 | — | 546,526 |
| **Year ended 31 December 2017** | | | | | | | |
| At 1 January 2017 | | 363,742 | 37,704 | 69,724 | 75,356 | — | 546,526 |
| Additions | | — | 9,881 | 72,041 | 108,763 | 2,046,812 | 2,237,497 |
| Transferred from completed properties held for sale | | 67,651 | — | — | — | — | 67,651 |
| Acquisition of subsidiaries | | 21,555,933 | 39,156 | 156,206 | 8,523 | 15,012,095 | 36,771,913 |
| Disposal of subsidiaries | | — | (359) | (11,721) | (465) | — | (12,545) |
| Disposals | | — | (7,184) | (39,851) | (7,296) | — | (54,331) |
| Depreciation charges | | (244,722) | (10,422) | (21,306) | (17,641) | — | (294,091) |
| At 31 December 2017 | | 21,742,604 | 68,776 | 225,093 | 167,240 | 17,058,907 | 39,262,620 |
| **At 31 December 2017** | | | | | | | |
| Cost | | 21,987,326 | 112,827 | 227,274 | 208,665 | 17,058,907 | 39,594,999 |
| Accumulated depreciation | | (244,722) | (44,051) | (2,181) | (41,425) | — | (332,379) |
| Net book amount | | 21,742,604 | 68,776 | 225,093 | 167,240 | 17,058,907 | 39,262,620 |
| **Year ended 31 December 2018** | | | | | | | |
| At 1 January 2018 | | **21,742,604** | **68,776** | **225,093** | **167,240** | **17,058,907** | **39,262,620** |
| Additions | | **1,046,430** | **42,230** | **194,078** | **88,405** | **8,023,587** | **9,394,730** |
| Transferred | | **4,745,309** | — | — | — | **(4,745,309)** | — |
| Transfer to investment properties | | **(324,677)** | — | — | — | — | **(324,677)** |
| Acquisition of subsidiaries | 41(B) | **85,256** | **2,929** | **8,347** | **4,619** | **1,681,744** | **1,782,895** |
| Disposal of subsidiaries | 42 | — | — | **(2,809)** | — | — | **(2,809)** |
| Disposals | | **(22,858)** | **(4,263)** | **(29,758)** | **(603)** | — | **(57,482)** |
| Depreciation charges | | **(664,386)** | **(30,008)** | **(87,160)** | **(49,418)** | — | **(830,972)** |
| At 31 December 2018 | | **26,607,678** | **79,664** | **307,791** | **210,243** | **22,018,929** | **49,224,305** |
| **At 31 December 2018** | | | | | | | |
| Cost | | **27,516,754** | **149,880** | **374,827** | **301,086** | **22,018,929** | **50,361,476** |
| Accumulated depreciation | | **(909,076)** | **(70,216)** | **(67,036)** | **(90,843)** | — | **(1,137,171)** |
| Net book amount | | **26,607,678** | **79,664** | **307,791** | **210,243** | **22,018,929** | **49,224,305** |

Depreciation expense of RMB 602 million (2017: RMB 215 million) has been charged to "cost of sales", RMB 70 million (2017: RMB 30 million) in "selling and marketing costs" and RMB 159 million (2017: RMB 49 million) in "administrative expenses".

## 8 Property, plant and equipment *(continued)*

### (I) NON-CURRENT ASSETS PLEDGED AS SECURITY

Refer to note 38 for information on non-current assets pledged as security by the Group.

### (II) CONTRACTUAL OBLIGATIONS

Refer to note 36 for disclosure of contractual obligations to purchase, construct or develop buildings.

## 9 Investment properties

Office buildings, shopping malls and commercial properties at fair value:

| | Note | Completed Investment properties RMB'000 | Investment properties under development RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| At 1 January 2017 | | 656,046 | — | 656,046 |
| Additions attributable to business combinations | | 8,211,000 | 3,405,382 | 11,616,382 |
| Additions | | — | 602,298 | 602,298 |
| Fair value changes | 31 | 7,685 | (21,176) | (13,491) |
| Transfer to completed properties held for sale ("CP") | | (39,624) | — | (39,624) |
| At 31 December 2017 | | 8,835,107 | 3,986,504 | 12,821,611 |
| At 1 January 2018 | | **8,835,107** | **3,986,504** | **12,821,611** |
| Additions | | — | **1,852,280** | **1,852,280** |
| Fair value changes | | **(31,671)** | **234,842** | **203,171** |
| Transfer from PP&E | | **324,677** | — | **324,677** |
| Transfer from CP and PUD | | **886,000** | **108,000** | **994,000** |
| Transfers | | **2,010,000** | **(2,010,000)** | — |
| At 31 December 2018 | | **12,024,113** | **4,171,626** | **16,195,739** |

The Group's investment properties are all office building, shopping malls and commercial properties located in the PRC.

See note 5(B) for the valuation techniques and significant inputs used in fair value measurements of investment properties.

## 9 Investment properties *(continued)*

### (I) AMOUNTS RECOGNISED IN PROFIT OR LOSS FOR INVESTMENT PROPERTIES

| | **2018** | 2017 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Rental income | **501,252** | 159,585 |
| Direct operating expenses from property that generated rental income | **(78,263)** | (38,587) |
| Fair value gain recognised in other income | **203,171** | (13,491) |

### (II) NON-CURRENT ASSETS PLEDGED AS SECURITY

Refer to note 38 for information on non-current assets pledged as security by the Group.

### (III) CONTRACTUAL OBLIGATIONS

Refer to note 36 for disclosure of contractual obligations to purchase construct or develop investment properties.

### (IV) LEASING ARRANGEMENTS

Some of the investment properties are leased to tenants under long-term operating leases with rentals payable monthly. Minimum lease payments receivable on leases of investment properties are as follows:

| | **2018** | 2017 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Within 1 year | **418,371** | 342,501 |
| Later than 1 year but no later than 5 years | **756,297** | 735,474 |
| Later than 5 years | **344,763** | 386,406 |
| | **1,519,431** | 1,464,381 |

## 10 Land use right and intangible assets

| | Land use rights | Intangible assets | | |
|---|---|---|---|---|
| | | Goodwill (A) | Others | Total |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **At 1 January 2017** | | | | |
| Cost | — | 621,102 | 10,513 | 631,615 |
| Accumulated amortisation and impairment | — | (209,954) | (308) | (210,262) |
| Net book amount | — | 411,148 | 10,205 | 421,353 |
| **Year ended 31 December 2017** | | | | |
| Opening net book amount | — | 411,148 | 10,205 | 421,353 |
| Acquisition of subsidiaries | 2,818,542 | 285,689 | 213,585 | 3,317,816 |
| Additions | 258 | — | 290 | 548 |
| Disposals subsidiaries | — | — | (207) | (207) |
| Impairment charge | — | (57,325) | — | (57,325) |
| Amortisation charge | (21,099) | — | (23,955) | (45,054) |
| Closing net book amount | 2,797,701 | 639,512 | 199,918 | 3,637,131 |
| **At 31 December 2017** | | | | |
| Cost | 2,818,800 | 906,791 | 224,181 | 3,949,772 |
| Accumulated amortisation and impairment | (21,099) | (267,279) | (24,263) | (312,641) |
| Net book amount | 2,797,701 | 639,512 | 199,918 | 3,637,131 |
| **Year ended 31 December 2018** | | | | |
| Opening net book amount | **2,797,701** | **639,512** | **199,918** | **3,637,131** |
| Acquisition of subsidiaries (note 41) | **20,124** | **4,654,913** | **211** | **4,675,248** |
| Additions | **7,150,880** | — | **1,300,119** | **8,450,999** |
| Disposals subsidiaries (note 42) | — | **(23,928)** | — | **(23,928)** |
| Impairment charge | — | **(189,020)** | **(368,431)** | **(557,451)** |
| Amortisation charge | **(117,377)** | — | **(43,815)** | **(161,192)** |
| Closing net book amount | **9,851,328** | **5,081,477** | **1,088,002** | **16,020,807** |
| **At 31 December 2018** | | | | |
| Cost | **9,989,804** | **5,537,776** | **1,524,511** | **17,052,091** |
| Accumulated amortisation and impairment | **(138,476)** | **(456,299)** | **(436,509)** | **(1,031,284)** |
| Net book amount | **9,851,328** | **5,081,477** | **1,088,002** | **16,020,807** |

## 10 Land use right and intangible assets *(continued)*

### (A) IMPAIRMENT TESTS FOR GOODWILL

Goodwill was generated from business combination and allocated to each project or a group of projects, which is expected to benefit from the synergies of the combination. Each project or a group of projects is identified as a CGU and the recoverable amount of a CGU is determined based on value-in-use method.

A segment-level summary of the goodwill allocation is presented below.

| | **31 December 2018 RMB'000** | 31 December 2017 RMB'000 |
|---|---|---|
| Cultural and tourism city operation (i) | **4,392,488** | — |
| Property development (ii) | **688,989** | 639,512 |
| | **5,081,477** | 639,512 |

Management reviews the business performance and monitors the goodwill on individual CGU or group of CGUs basis.

(i) The goodwill which generated from acquisition of Wanda Management Companies (note 41(A) (ii)) has been allocated into segment of cultural and tourism city operation. The key assumptions and approach used to determine values of the cultural and tourism city operation CGUs as follows:

| **Assumption** | **Range** | **Approach used to determining values** |
|---|---|---|
| Revenue | 1-6 year: 9%-25%<br>7-20 year: 6%-10% | Annual growth rate of revenue over the forecast period was based on past performance and management's expectations of market development. |
| Budgeted gross margin rate | 10%-60% | Based on past performance and management's expectations for the future. |
| Long-term growth rate | 2.5% | This is the weighted average growth rate used to extrapolate cash flows beyond the forecast period. The rates are consistent with management's forecasts and industry information |
| Pre-tax discount rates | 11.6% | Reflect specific risks relating to the relevant segments and the industry in which they operate. |

The recoverable amount of this CGU is estimated to exceed the carrying amount of the CGU at 31 December 2018.

If above key assumptions have been 5% lower or higher than management's estimation, the recoverable amounts of this CGU would be still exceeding the carry amount and there would no impairment against goodwill recognised in current period.

The Directors and management have considered and assessed reasonably possible changes for these key assumptions and have not identified any instances that could cause the carrying amount of this CGU to exceed its recoverable amount.

## 10 Land use right and intangible assets *(continued)*

### (A) IMPAIRMENT TESTS FOR GOODWILL *(continued)*

(ii) There is no individual CGU, for which the carrying amount of goodwill is significant in comparison with the total carrying amount of goodwill in property development segment. Each property development project is identified as a CGU. Management reviews the business performance and monitors the goodwill on individual CGU basis. The key assumptions used to determine the recoverable amount of each CGU include the future unit selling price, estimated future costs to complete the project development, estimated profit and discount rate. A pre-tax discount rate of 20% was used for the analysis of each CGU in the operating entities as at 31 December 2018 (2017 pre-tax discount rate: 20%).

## 11 Investments accounted for using the equity method

The amounts recognised in the balance sheet are as follows:

| | **31 December 2018 RMB'000** | 31 December 2017 RMB'000 |
|---|---|---|
| Joint ventures | **40,009,448** | 32,302,811 |
| Associates | **25,487,378** | 26,310,410 |
| | **65,496,826** | 58,613,221 |

The share of profits/(losses) from investment recognised in the income statement were as follows:

| | **2018 RMB'000** | 2017 RMB'000 |
|---|---|---|
| Share of profits of joint ventures | **3,891,426** | 760,084 |
| Share of profits/(losses) of associates | **930,385** | (2,906,689) |
| Gains from acquisitions of joint ventures and associates | **134,183** | 153,001 |
| | **4,955,994** | (1,993,604) |

## 11 Investments accounted for using the equity method *(continued)*

### 11.1 INVESTMENTS IN JOINT VENTURES

The following table analyses, on an aggregate basis, the movement of the carrying amount of the Group's investments in joint ventures and the shares of results of these joint ventures:

| | **2018** | 2017 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| At beginning of year, as previously stated | **32,302,811** | 24,679,369 |
| Adjustment on adoption of HKFRS 15, net of tax | — | 138,091 |
| At beginning of year, after the adoption of HKFRS 15 | **32,302,811** | 24,817,460 |
| Additions: | | |
| – Capital contributions to joint ventures at establishment | **1,692,166** | 1,148,453 |
| – Acquisitions of joint ventures | **4,320,822** | 7,469,983 |
| – Additional investments in existing joint ventures | **410,208** | 1,961,936 |
| – Subsidiaries becoming joint ventures (note 42(A)) | **605,069** | 39,948 |
| Disposals: | | |
| – Disposal of investments in joint ventures | **(407,729)** | — |
| – Joint ventures becoming subsidiaries (note 41(A)) | **(1,759,026)** | (1,373,805) |
| – Joint ventures becoming associates | — | (1,180,672) |
| Capital deduction of joint ventures | **(476,266)** | (489,196) |
| Share of profits of joint ventures, net | **3,891,426** | 760,084 |
| Share of additional capital reserve in a joint venture (note 22) | — | 73,715 |
| Dividends from joint ventures | **(570,033)** | (925,095) |
| At end of year | **40,009,448** | 32,302,811 |

Note:

(a) All joint ventures are non-listed companies. A joint venture named Summer Sky Investments Limited is incorporated in Hong Kong, all remaining joint ventures of the Group are incorporated in the PRC.

## 11 Investments accounted for using the equity method *(continued)*

### 11.1 INVESTMENTS IN JOINT VENTURES *(continued)*

(i) The following table lists the principal joint ventures of the Group as at 31 December 2018 and 2017:

| | | Equity interest attributable to the Group | | |
|---|---|---|---|---|
| Name of joint ventures | **Registered capital (RMB' million)** | **31 December 2018** | 31 December 2017 | **Principal activities** |
| Hangzhou Rongyue Investment Co., Ltd. | 143 | **50%** | 50% | Real estate development |
| Hangzhou Heming Investment Co., Ltd. | 5 | **50%** | 50% | Real estate development |
| Zhejiang Yuecheng Investment Co., Ltd. | 55 | **50%** | 50% | Real estate development |
| Shandong Rongjian Real Estate Co., Ltd. | 100 | **50%** | 60% | Real estate development |
| Jiaxing Zhenchuang Investment Partnership (Limited Partnership) | 10,001 | **40%** | 40% | Real estate development |

The Group's control over decisions about the relevant activities requires unanimous consent with other equity investment partners in the joint ventures in accordance with the joint ventures' articles of associations.

(ii) Commitments in respect of joint ventures

| | **31 December 2018 RMB'000** | 31 December 2017 RMB'000 |
|---|---|---|
| **Commitments – joint ventures** | | |
| Commitment to provide funding for joint venture's capital commitments | **2,180,180** | — |

## 11 Investments accounted for using the equity method *(continued)*

### 11.1 INVESTMENTS IN JOINT VENTURES *(continued)*

(iii) Summarised financial information of material joint ventures

Set out below is the summarised financial information for the major joint venture.

| | Joint venture - A | |
|---|---|---|
| | **31 December 2018 RMB'000** | 31 December 2017 RMB'000 |
| **Summarised balance sheet** | | |
| Current assets | | |
| Cash and cash equivalents | **410,106** | 328,171 |
| Other current assets | **21,012,431** | 23,759,976 |
| Total current assets | **21,422,537** | 24,088,147 |
| Non-current assets | **126,117** | 70,663 |
| Current liabilities | | |
| Financial liabilities (excluding trade payables) | **456,000** | 3,225,000 |
| Other current liabilities | **16,609,180** | 19,415,005 |
| Total current liabilities | **17,065,180** | 22,640,005 |
| Non-current liabilities | | |
| Financial liabilities (excluding trade payables) | **1,536,981** | 397,000 |
| Other non-current liabilities | **48,838** | 1,630 |
| Total non-current liabilities | **1,585,819** | 398,630 |
| **Net assets** | **2,897,655** | 1,120,175 |

## 11 Investments accounted for using the equity method *(continued)*

### 11.1 INVESTMENTS IN JOINT VENTURES *(continued)*

(iii) Summarised financial information of material joint ventures *(continued)*

| | Joint venture - A | |
|---|---|---|
| | **2018** | 2017 |
| | **RMB'000** | RMB'000 |
| **Reconciliation to carrying amounts:** | | |
| Opening net assets 1 January | **1,120,175** | 351,604 |
| Profit for the period | **1,777,480** | 768,571 |
| Dividends paid | — | — |
| Closing net assets | **2,897,655** | 1,120,175 |
| Group's share in % (note) | **60%** | 60% |
| Goodwill | — | — |
| Carrying amount | **1,738,593** | 672,105 |
| Revenue | **7,479,065** | 4,269,070 |
| Interest income | **14,896** | 14,929 |
| Depreciation and amortisation | — | — |
| Interest expense | **6,450** | 27,704 |
| Income tax expense | **1,112,946** | 392,429 |
| **Profit for the period** | **1,777,480** | 768,571 |
| Dividends received from joint venture | — | — |

Note: Pursuant to the article of association of this joint venture, the Group would share the 60% equity interest of the company.

The information above reflects the amounts presented in the financial statements of the associate, adjusted for differences in accounting policies between the Group and the associate, and not the Company's share of those amounts.

(iv) Aggregate information of joint ventures that are not individually material:

| | **31 December 2018 RMB'000** | 31 December 2017 RMB'000 |
|---|---|---|
| Aggregate carrying amount of the Group's interests in these joint ventures | **38,270,855** | 31,630,706 |

| | **2018 RMB'000** | 2017 RMB'000 |
|---|---|---|
| The Group's share of post-tax profits, net | **2,824,938** | 298,941 |
| The Group's share of total comprehensive income | **2,824,938** | 298,941 |

## 11 Investments accounted for using the equity method *(continued)*

### 11.2 INVESTMENTS IN ASSOCIATES

An analysis of the movement of equity investments in associates is as follows:

| | **2018** | 2017 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| At beginning of year, as previously stated | **26,310,410** | 9,873,491 |
| Adjustment on adoption of HKFRS 15, net of tax | — | 91,197 |
| At beginning of year, after the adoption of HKFRS 15 | **26,310,410** | 9,964,688 |
| Additions: | | |
| – Capital contribution to an associate established by the Group | **274,992** | 271,000 |
| – Acquisitions of associates | **202,040** | 20,125,804 |
| – Additional investments in existing associates | **2,552,371** | 1,437,146 |
| – A subsidiary becoming an associate | — | 5,439,506 |
| – Joint ventures becoming associates | — | 1,180,672 |
| Disposals: | | |
| – Disposal of investments in associates | **(3,010,003)** | — |
| – An associate becoming a subsidiary (note 41(A)) | **(575,519)** | (5,642) |
| Impairment provisions for investments in associates | **(404,047)** | (8,928,907) |
| Share of profits/(losses) of associates, net | **930,385** | (2,906,689) |
| Dividends from associates | **(793,251)** | (267,168) |
| At end of year | **25,487,378** | 26,310,410 |

Note:

(a) All associates of the Group are incorporated in the PRC. Except for Jinke Property Group Co., Ltd.and Leshi Internet Information&Teconology Corp (Beijing), which are listed on the Shenzhen Stock Exchange, the remaining associates of the Group are non-listed companies.

**(i)** As at 31 December 2018 and 2017, the Group had interests in the following principal associates:

| | | **Equity interest attributable to the Group** | | |
|---|---|---|---|---|
| Name of associates | **Registered capital (RMB million)** | **31 December 2018** | 31 December 2017 | **Principal activities** |
| Jinke Property Group Co., Ltd. | 5,343 | **29%** | 26% | Real estate development |
| Tianjin Xingyao Investment Co., Ltd. ("Tianjin Xingyao") * | 3,490 | **75%** | 75% | Real estate development |
| Tianjin Poly Sunac Investment Co., Ltd. | 2,000 | **49%** | 49% | Real estate development |
| Tianjin Lvcheng Quanyuncun Construction Development Co., Ltd. | 2,500 | **39%** | 39% | Real estate development |
| Shanghai Fuyuan Binjiang Development Co., Ltd. | 1,320 | **47%** | 47% | Real estate development |

* In accordance with the articles of association of Tianjin Xingyao, the Group cannot make absolute decision on the relevant activities of Tianjin Xingyao and Tianjin Xingyao became a 75% owned associate of the Group.

## 11 Investments accounted for using the equity method *(continued)*

### 11.2 INVESTMENTS IN ASSOCIATES *(continued)*

#### (ii) Contingent liabilities in respect of associates

| | **31 December 2018 RMB'000** | 31 December 2017 RMB'000 |
|---|---|---|
| **Contingent liabilities – associates** | | |
| Share of contingent liabilities incurred jointly with other investors of the associate | **6,305,882** | 1,540,526 |

#### (iii) Summarised financial information of material associates

Set out below is the summarised financial information for the major associate.

| | **Associate - A** | |
|---|---|---|
| | **31 December 2018 RMB'000** | 31 December 2017 RMB'000 |
| **Summarised assets and liabilities** | | |
| Current assets | **39,721,943** | 28,609,367 |
| Non-current assets | **664,167** | 477,444 |
| Current liabilities | **23,281,671** | 12,402,017 |
| Non-current liabilities | **10,541,990** | 10,125,918 |
| Equity attributable to equity holders of the associate | **6,562,449** | 6,558,876 |

| | **Associate - A** | |
|---|---|---|
| | **2018 RMB'000** | 2017 RMB'000 |
| **Summarised profit or loss and other comprehensive income** | | |
| Revenue | **685,017** | 360,890 |
| Net profit/(loss) attributable to equity holders of the associate | **5,133** | (697,118) |
| Total comprehensive income/(loss) attributable to equity holders of the associate | **5,133** | (697,118) |

The information above reflects the amounts presented in the financial statements of the associate, adjusted for differences in accounting policies between the Group and the associate, and not the Company's share of those amounts.

## 11 Investments accounted for using the equity method *(continued)*

### 11.2 INVESTMENTS IN ASSOCIATES *(continued)*

**(iv) Reconciliation of summarised financial information**

Reconciliation of the above financial information presented to the carrying amount of the Group's interests in the associates:

| | Associate - A | |
|---|---|---|
| | **31 December 2018 RMB'000** | 31 December 2017 RMB'000 |
| **Equity attributable to equity holders of the associates** | **6,562,449** | 6,558,876 |
| The Group's equity interest share | **75%** | 75% |
| Interest in the associate | **4,921,837** | 4,919,157 |
| Goodwill | — | — |
| Carrying amount | **4,921,837** | 4,919,157 |

Aggregate information of associates that are not individually material:

| | **31 December 2018 RMB'000** | 31 December 2017 RMB'000 |
|---|---|---|
| Aggregate carrying amount of the Group's interests in these associates | **20,565,541** | 21,391,253 |

| | **2018 RMB'000** | 2017 RMB'000 |
|---|---|---|
| The Group's share of post-tax profits/(losses), net | **926,535** | (2,383,850) |
| The Group's share of total comprehensive income/(loss) | **926,535** | (2,383,850) |

## 12 Deferred income tax

### (I) DEFERRED TAX ASSETS

| | **31 December 2018 RMB'000** | 31 December 2017 RMB'000 |
|---|---|---|
| Deferred tax assets (hereafter "DTA"): | | |
| – to be recovered within 12 months | **2,636,636** | 1,638,021 |
| – to be recovered after more than 12 months | **4,929,870** | 3,480,230 |
| Set-off of deferred tax liabilities pursuant to set-off provisions | **(4,581,766)** | (3,204,521) |
| Net DTA | **2,984,740** | 1,913,730 |

The movement on DTA during the year, without taking into consideration of offsetting of balance within the same tax jurisdiction, is as follows:

| **Movements** | **Unpaid LAT RMB'000** | **Deductible tax loss RMB'000** | **Impairment provision RMB'000** | **Accruals expenses for tax purpose RMB'000** | **Fair value change RMB'000** | **Total RMB'000** |
|---|---|---|---|---|---|---|
| At 1 January 2017 | 1,343,977 | 766,102 | 182,689 | 142,325 | — | 2,435,093 |
| Credited/(charged) to profit or loss | 441,187 | 1,374,602 | (49,216) | (30,551) | — | 1,736,022 |
| Acquisition of subsidiaries | 329,147 | 743,593 | 364,943 | 121,070 | — | 1,558,753 |
| Disposal of subsidiaries | (1,405) | (246,068) | (364,144) | — | — | (611,617) |
| At 31 December 2017 | 2,112,906 | 2,638,229 | 134,272 | 232,844 | — | 5,118,251 |
| At 1 January 2018 | **2,112,906** | **2,638,229** | **134,272** | **232,844** | — | **5,118,251** |
| Adjustment on adoption of HKFRS 9 | — | — | **23,824** | — | — | **23,824** |
| At 1 January 2018 | **2,112,906** | **2,638,229** | **158,096** | **232,844** | — | **5,142,075** |
| Credited to profit or loss | **1,799,792** | **179,099** | **147,807** | **9,504** | **167,912** | **2,304,114** |
| Acquisition of subsidiaries (note 41) | **7,005** | **194,876** | — | **5,580** | — | **207,461** |
| Disposal of subsidiaries (note 42) | **(2,119)** | **(84,685)** | — | **(340)** | — | **(87,144)** |
| At 31 December 2018 | **3,917,584** | **2,927,519** | **305,903** | **247,588** | **167,912** | **7,566,506** |

## 12 Deferred income tax *(continued)*

### (II) DEFERRED TAX LIABILITIES

| | **31 December 2018 RMB'000** | 31 December 2017 RMB'000 |
|---|---|---|
| Deferred tax liabilities (hereafter "DTL"): | | |
| – to be settled within 12 months | **16,210,508** | 2,958,775 |
| – to be settled after more than 12 months | **21,754,698** | 34,744,182 |
| Set-off of deferred tax liabilities pursuant to set-off provisions | **(4,581,766)** | (3,204,521) |
| Net DTL | **33,383,440** | 34,498,436 |

The movement on DTL during the year, without taking into consideration of offsetting of balance within the same tax jurisdiction, is as follows:

| | Deferred LAT | Deferred corporate income tax | | | | | Total |
|---|---|---|---|---|---|---|---|
| Movements | Fair value surplus at acquisitions RMB'000 | Fair value surplus at acquisitions RMB'000 | Fair value change RMB'000 | Prepaid LAT RMB'000 | Dividend tax for PRC entities' distributable profits RMB'000 | Others RMB'000 | RMB'000 |
| At 1 January 2017 | 4,079,416 | 3,810,384 | 25,756 | 232,810 | 578,232 | — | 8,726,598 |
| (Credited)/charged to profit or loss | — | (2,243,337) | — | 542,806 | 234,941 | — | (1,465,590) |
| Transfer to LAT payable | (2,496,693) | — | — | — | (165,000) | — | (2,661,693) |
| Acquisition of subsidiaries | 28,141,830 | 15,052,822 | — | 386,401 | — | — | 43,581,053 |
| Disposal of subsidiaries | (7,358,131) | (2,763,886) | — | (355,394) | — | — | (10,477,411) |
| At 31 December 2017 | 22,366,422 | 13,855,983 | 25,756 | 806,623 | 648,173 | — | 37,702,957 |
| At 1 January 2018 | **22,366,422** | **13,855,983** | **25,756** | **806,623** | **648,173** | — | **37,702,957** |
| (Credited)/charged to profit or loss | — | **(3,155,765)** | **523,931** | **423,961** | **338,847** | **228,258** | **(1,640,768)** |
| Transfer to tax payable | **(4,004,030)** | — | — | — | — | — | **(4,004,030)** |
| Acquisition of subsidiaries (note 41) | **3,261,067** | **3,129,940** | — | **61,575** | — | — | **6,452,582** |
| Disposal of subsidiaries (note 42) | — | **(545,535)** | — | — | — | — | **(545,535)** |
| At 31 December 2018 | **21,623,459** | **13,284,623** | **549,687** | **1,292,159** | **987,020** | **228,258** | **37,965,206** |

## 13 Financial assets at fair value through profit or loss

| | **31 December 2018 RMB'000** | 31 December 2017 RMB'000 |
|---|---|---|
| Listed equity securities | **302,296** | — |
| Unlisted equity securities | **8,915,657** | — |
| Debt investment | **788,139** | — |
| | **10,006,092** | — |

For information about the methods and assumptions used in determining the fair value of financial assets at FVPL, please refer to note 5(A).

See note 3 for explanations regarding the change in accounting policy and the reclassification of certain investments from available-for-sale to financial assets at FVPL following the adoption of HKFRS 9, and note 2.11 for the remaining relevant accounting policies.

### (A) AMOUNTS RECOGNISED IN PROFIT OR LOSS

During the year, the following gains were recognised in profit or loss:

| | **31 December 2018 RMB'000** | 31 December 2017 RMB'000 |
|---|---|---|
| Fair value gains on equity investments at FVPL recognised in other income (note 30) | **888,871** | — |

### (B) PREVIOUSLY CLASSIFIED AS AVAILABLE-FOR-SALE FINANCIAL ASSETS (2017)

| | **31 December 2018 RMB'000** | 31 December 2017 RMB'000 |
|---|---|---|
| Equity securities | — | 871,578 |

## 14 Properties under development

| | **31 December 2018 RMB'000** | 31 December 2017 RMB'000 |
|---|---|---|
| Comprising: | | |
| Land use rights costs | **215,908,047** | 213,382,393 |
| Construction costs and capitalised expenditures | **52,109,584** | 43,223,371 |
| Capitalised finance costs | **24,158,377** | 15,071,910 |
| | **292,176,008** | 271,677,674 |
| Less: Provision for loss on realisable values | **(262,433)** | (162,682) |
| | **291,913,575** | 271,514,992 |
| Including: To be completed within 12 months | **91,770,261** | 82,915,216 |
| To be completed after 12 months | **200,143,314** | 188,599,776 |
| | **291,913,575** | 271,514,992 |

The properties under development ("PUDs") are all located in the PRC.

RMB 37.6 billion of costs to fulfil contracts carried forward from prior year was recognised as cost of good sales in the current reporting period.

At 31 December 2018, properties under development included the costs to fulfil contracts amounting to RMB 85.3 billion.

Refer to note 38 for information on current assets pledged as security by the Group.

## 15 Completed properties held for sale

| | **31 December 2018 RMB'000** | 31 December 2017 RMB'000 |
|---|---|---|
| Completed properties held for sale | **48,341,719** | 42,987,485 |
| Less: Provision for loss on realisable value | **(1,005,454)** | (744,872) |
| | **47,336,265** | 42,242,613 |

The completed properties held for sale are all located in the PRC.

RMB 28.9 billion of costs to fulfil contracts carried forward from prior year was recognised as cost of good sales in the current reporting period.

At 31 December 2018, completed properties held for sale included the costs to fulfil contracts amounting to RMB 15.8 billion.

Refer to note 38 for information on current assets pledged as security by the Group.

## 16 Trade and other receivables

| | **31 December 2018 RMB'000** | 31 December 2017 RMB'000 |
|---|---|---|
| Non-current - | | |
| Amounts due from construction customers (i) | **558,000** | 915,750 |
| Current - | | |
| Trade receivables (ii) | **1,359,626** | 1,217,743 |
| Amounts due from non-controlling interests and their related parties (iii) | **11,532,705** | 7,343,578 |
| Notes receivables | **26,915** | 17,416 |
| Deposits receivables | **6,024,104** | 3,060,803 |
| Other receivables(iv) | **8,755,984** | 7,462,605 |
| | **27,699,334** | 19,102,145 |
| Less: Bad debt provision for other receivables (vi) | **(307,068)** | (690,446) |
| | **27,392,266** | 18,411,699 |

As at 31 December 2018 and 2017, the carrying amounts of the Group's trade and other receivables were all denominated in RMB.

Notes:

(i) The balance carries interest rate at 5.46% per annum and is repayable within eighteen months.

(ii) Taking into account of the credit terms agreed in the property sale contract, the ageing analysis of trade receivables primarily arising from sales of properties is as follows:

| | **31 December 2018 RMB'000** | 31 December 2017 RMB'000 |
|---|---|---|
| Within 90 days | **750,092** | 752,469 |
| 91 - 180 days | **42,911** | — |
| 181 - 365 days | **145,901** | 62,653 |
| Over 365 days | **420,722** | 402,621 |
| | **1,359,626** | 1,217,743 |

(iii) The amounts due from non-controlling interests and their related parties are unsecured, interest free and have no fixed repayment terms.

(iv) Other receivables mainly included the cash advance for land use rights acquisition, payments on behalf of customers, interest receivables and amounts due from equity investment partners.

## 16 Trade and other receivables *(continued)*

Notes: *(continued)*

(v) Fair values of trade and other receivables

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value. For the non-current receivables, the variance between the fair values and their carrying amounts are immaterial..

(vi) Impairment and risk exposure

*Trade receivables and contract assets*

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. This resulted in an increase of the loss allowance on 1 January 2018 by RMB 16.44 million for trade receivables and contract assets. The loss allowance increased by RMB 1.37 million to RMB 17.81 million for trade receivables and contract assets during the current reporting period. Note 4.1(b) provides for details about the calculation of the allowance.

*Other receivables*

Other receivables are all considered to have low credit risk and the loss allowance recognised during the period was therefore limited to 12 months expected losses. This resulted in an increase of the loss allowance on 1 January 2018 by RMB 43.77 million. A reversal of loss allowance by RMB 529 million was recognised as collection of outstanding loans in the year ended 31 December 2018. Note 4.1(b) provides for details about the calculation of the allowance.

Information about the Group's exposure to credit risk, foreign currency risk and interest rate risk can be found in note 4.1.

## 17 Prepayments

| | **31 December 2018 RMB'000** | 31 December 2017 RMB'000 |
|---|---|---|
| Non-current - | | |
| Prepayments for equity transactions | **2,276,912** | 5,361,814 |
| Less: Provision | — | (411,021) |
| Prepayments for equity transactions-net | **2,276,912** | 4,950,793 |
| Current - | | |
| Tax and surcharge | **6,295,757** | 2,461,293 |
| Prepayments for land use rights acquisitions | **2,459,932** | 1,168,516 |
| Prepayments for project development costs | **1,315,828** | 786,338 |
| Others | **342,859** | 93,644 |
| | **10,414,376** | 4,509,791 |

As at 31 December 2018 and 2017, the carrying amounts of the Group's prepayments were all denominated in RMB.

## 18 Restricted cash

| | **31 December 2018 RMB'000** | 31 December 2017 RMB'000 |
|---|---|---|
| Restricted cash from property pre-sale proceeds (i) | **17,062,937** | 13,900,549 |
| Guarantee deposits as reserve for bank loans | **15,617,770** | 12,078,030 |
| Guarantee deposits for bank acceptance | **3,764,298** | — |
| Restricted cash from land use rights acquisitions | **2,491,978** | — |
| Guarantee deposits for mortgage | **2,405,005** | 427,677 |
| Restricted cash from equity transactions | **96,413** | 664,962 |
| Others | **2,578,610** | 1,214,383 |
| | **44,017,011** | 28,285,601 |

Note:

(i) In certain subsidiaries of the Company, a portion of the proceeds from pre-sale of properties is saved as guarantee bank deposits in accordance with the municipal regulations and is released in line with certain development progress milestones.

## 19 Cash and cash equivalents

| | **31 December 2018 RMB'000** | 31 December 2017 RMB'000 |
|---|---|---|
| Cash on hand and demand deposit: | | |
| Denominated in RMB | **73,468,887** | 62,545,215 |
| Denominated in USD | **2,650,538** | 761,625 |
| Denominated in HKD | **61,616** | 5,126,283 |
| Denominated in EUR | — | 133 |
| | **76,181,041** | 68,433,256 |

The conversion of RMB denominated balances into foreign currencies, and the remittance of foreign currencies-denominated bank balances and cash out of the PRC are subject to restrictive foreign exchange control rules and regulations.

The Group earns interest on cash at bank, at floating bank deposit rates and there was no bank overdraft in the Group.

## 20 Share capital

| | Number of ordinary shares (thousands) | Shares capital HK$'000 | Equivalent to RMB'000 |
|---|---|---|---|
| **Authorised:** | | | |
| At 1 January 2017, 31 December 2017 and 2018, HK$0.1 per share, | 10,000,000 | 1,000,000 | |
| **Issued and fully paid:** | | | |
| As at 1 January 2017 | 3,857,738 | 385,774 | 331,408 |
| Shares issued upon exercise of employees' share options | 67,216 | 6,722 | 5,972 |
| Proceeds from private placement | 471,500 | 47,150 | 40,228 |
| **As at 31 December 2017** | 4,396,454 | 439,646 | 377,608 |
| Shares issued upon exercise of employees' share options ((i), note 21) | **9,680** | **968** | **813** |
| **As at 31 December 2018** | **4,406,134** | **440,614** | **378,421** |

Note:

(i) The Company adopted a Post-IPO Share Option Scheme (the "2011 Share Option Scheme") (note 21(A) (i)) on 29 April 2011 and a new Share Option Scheme (the "2014 Share Option Scheme") (note 21 (A) (ii)) on 19 May 2014 respectively.

## 21 Share-based payments

### (A) SHARE OPTION SCHEME

#### (i) 2011 Share Option Scheme

The 2011 Share Option Scheme was approved and adopted by all shareholders of the Company on the annual general meeting held on 29 April 2011 (the "2011 Share Option Scheme Adoption Date"). As at 31 December 2014, all the share options have been granted within the 2011 Share Option Scheme. The options are not conditional on the employees' performance target before an option can be exercised. The 2011 share options, once vested, shall be exercisable within a period of six years from the 2011 Share Option Scheme Adoption Date or the most recent anniversary of the 2011 Share Option Scheme Adoption Date. Refer to note 21(A)(ii) for the information of exercisable options of the 2011 Share Option Scheme as at 31 December 2016.

## 21 Share-based payments *(continued)*

### (A) SHARE OPTION SCHEME *(continued)*

#### (ii) 2014 Share Option Scheme

The 2014 Share Option Scheme was approved and adopted by the shareholders of the Company on the annual general meeting held on 19 May 2014 (the "2014 Share Option Scheme Adoption Date"). The maximum number of shares in respect of which options ("2014 Options") may be granted should not exceed 166,374,246 shares, representing 5% of the total number of shares in issue as at the 2014 Share Option Scheme Adoption Date. The options are to be granted during a grant period of three years from the 2014 Share Option Scheme Adoption Date. Such options will vest in accordance with the following schedule: 30% upon the grant, an additional 30% upon the first anniversary of the 2014 Share Option Scheme Adoption Date and additional 40% upon the second anniversary. The options are not conditional on the employees' performance target before an option can be exercised. The subscription price for each grant should be at least the higher of (a) the closing price of the shares as stated in the Hong Kong Stock Exchange's daily quotations sheets on the grant dates, (b) the average of the closing prices of the shares as stated in the Hong Kong Stock Exchange's daily quotation sheets for the five business days immediately preceding the grant date, and (c) the nominal value of the shares of the Company. The 2014 share options, once vested, shall be exercisable within a period of five years from the 2014 Share Option Scheme Adoption Date or the most recent anniversary of the 2014 Share Option Scheme Adoption Date.

The total expense recognised in the profit or loss for share options granted to directors and employees for the year ended 31 December 2018 was RMB 291.04 million (2017: RMB 210.37 million) (note 29).

The Group has no legal or constructive obligation to repurchase or settle all above mentioned options in cash.

Movement in the share options and their related weighted-average exercise prices are as follows:

| | **2018** | | 2017 | |
|---|---|---|---|---|
| | **Average price in HK$ per share** | **Options (thousand)** | Average price in HK$ per share | Options (thousand) |
| At beginning of year | **16.35** | **135,589** | 4.96 | 144,219 |
| Granted | — | — | 30.25 | 59,920 |
| Exercised | **4.38** | **(9,680)** | 4.51 | (67,216) |
| Expired | **16.82** | **(439)** | 6.25 | (880) |
| Abandoned | **27.42** | **(543)** | 5.81 | (454) |
| At end of year | **17.22** | **124,927** | 16.35 | 135,589 |

As at 31 December 2018, 8,794 thousand shares of the 2011 Share Option Scheme and 92,441 thousand shares of the 2014 Share Option Scheme were exercisable (31 December 2017: 13,350 thousand shares of the 2011 Share Option Scheme and 64,707 thousand shares of the 2014 Share Option Scheme).

## 21 Share-based payments *(continued)*

### (A) SHARE OPTION SCHEME *(continued)*

#### (ii) 2014 Share Option Scheme *(continued)*

Share options outstanding at the end of the year have the following expiry date and exercise prices:

| Expiry date | Exercise price in HK$ per share option | Number of share options (thousands) | |
|---|---|---|---|
| | | **2018** | 2017 |
| 28 April 2018 | 2.33 | — | 3,866 |
| 28 April 2019 | 6.32 | **8,794** | 9,484 |
| 5 June 2019 | 4.07 | **9,491** | 10,841 |
| 9 July 2020 | 7.27 | **19,737** | 20,488 |
| 20 June 2021 | 4.62 | **27,840** | 30,990 |
| 22 Dec 2022 | 30.25 | **59,065** | 59,920 |
| | | **124,927** | 135,589 |

### (B) SHARE AWARD SCHEME

A share award scheme under which shares may be granted to employees for no cash consideration was approved by the board of directors of the Company on 8 May 2018. Accordingly, the Company entrusted a trustee to purchase existing ordinary shares in the open market based on this share award scheme. The trustee will hold such shares on behalf of the relevant selected employees on trust, until such shares are vested with the relevant selected employees in accordance with the scheme rules.

As at 31 December 2018, the Company has entrusted the trustee to purchase an aggregate of 66,649,000 Shares from the open market pursuant to the share award scheme at a total consideration of approximately RMB 1,465 million. Meanwhile, there was no share granted to employees of the Group during the current reporting period.

## 22 Reserves

| | Note | Share premium RMB'000 | Share option reserve RMB'000 | Other RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| **Year ended 31 December 2017** | | | | | |
| At 1 January 2017 | | 3,717,227 | 259,565 | 2,760,411 | 6,737,203 |
| Transaction with non-controlling interests | | — | — | (495,394) | (495,394) |
| Share of capital premium addition of a joint venture | | — | — | 73,715 | 73,715 |
| Employees share option schemes: | | | | | |
| – Value of employee services | 29 | — | 210,370 | — | 210,370 |
| – Exercise of employees' share options | | 263,044 | — | — | 263,044 |
| Proceeds from private placement | | 9,970,751 | — | — | 9,970,751 |
| Statutory reserve | | — | — | 881,104 | 881,104 |
| Dividends relating to 2016 | | (991,341) | — | — | (991,341) |
| At 31 December 2017 | | 12,959,681 | 469,935 | 3,219,836 | 16,649,452 |

| | Note | Share premium RMB'000 | Share option reserve RMB'000 | Other RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| **Year ended 31 December 2018** | | | | | |
| At 1 January 2018 | | **12,959,681** | **469,935** | **3,219,836** | **16,649,452** |
| Transaction with non-controlling interests | 40 | — | — | **(129,860)** | **(129,860)** |
| Employees share option schemes: | | | | | |
| – Value of employee services | 29 | — | **291,035** | — | **291,035** |
| – Exercise of employees' share options | | **42,277** | — | — | **42,277** |
| Purchase of shares for share award scheme | 21(B) | **(1,464,565)** | — | — | **(1,464,565)** |
| Statutory reserve | (I) | — | — | **1,072,037** | **1,072,037** |
| Dividends relating to 2017 | 44 | **(2,200,773)** | — | — | **(2,200,773)** |
| At 31 December 2018 | | **9,336,620** | **760,970** | **4,162,013** | **14,259,603** |

## 22 Reserves *(continued)*

### (I) STATUTORY RESERVES

In accordance with the relevant government regulations in the PRC and the provisions of the articles of association of the PRC companies now comprising the Group, 10% of its net profit as shown in the accounts prepared under PRC accounting regulations is required to be appropriated to statutory reserve, until the reserve reaches 50% of the registered capital. Appropriation of statutory reserve must be made before distribution of dividends to equity holders. This reserve shall only be used to make up losses; to expand the entities' production operation; or to increase the capital of the entities. Upon approval by a resolution of equity holders, the entities may convert this reserve into share capital, provided that the unconverted remaining amount of reserve is not less than 25% of the registered capital.

The PRC entities of the Group directly owned by the Group's entities outside the PRC are required, in accordance with relevant rules and regulations concerning foreign investment enterprise established in the PRC and the Articles of Association of these companies, to make appropriations from net profit to the reserve fund and staff and workers' bonus and welfare fund, after offsetting accumulated losses from prior years, and before profit distributions are made to investors. The percentage of profits to be appropriated to the above funds is solely determined by the board of directors of the PRC entities now comprising the Group. For those which are wholly foreign owned enterprises in the PRC, no less than 10% of the profit of each year to the reserve fund is mandatory. The appropriation of the statutory reserve ceases when the accumulated statutory reserve balance reaches 50% of their registered capital.

## 23 Perpetual capital securities

As at 31 December 2018, six perpetual bonds issued by the subsidiaries of the Group (the "Instrument Issuers") were still outstanding. One of these perpetual bonds contracts was guaranteed by Sunac Real Estate Group Co., Ltd. ("Sunac Real Estate", an indirect wholly owned subsidiary of the Company), and secured by the equity interests owned by the shareholder in one of the Instrument Issuers. Another perpetual bonds contract was guaranteed by Sunac Real Estate and secured by the equity interests in certain joint ventures as owned by one of the Instrument Issuers. The perpetual bonds have no maturity date.

The Instrument issuers may elect to defer interest payment, and are not subject to any limit as to the number of times interest payment can be deferred. The perpetual bonds are callable by the Instrument issuers.

As the perpetual bonds only impose contractual obligations on the Group to repay principal or to pay any distribution under certain circumstances, which are at Group's discretion, they have in substance offered the Group an unconditional right to avoid delivering cash or other financial asset to settle contractual obligation. Therefore, the net proceeds of the perpetual bonds are classified as capital instruments presented in the equity of the Group. The accrual of respective nominal interests according to the bond terms are treated as distribution to the holders of these perpetual capital instruments.

## 24 Trade and other payables

| | **31 December 2018 RMB'000** | 31 December 2017 RMB'000 |
|---|---|---|
| Non-current - | | |
| Other payables | **1,474,373** | 1,492,327 |
| Current - | | |
| Trade payables (i) | **35,933,716** | 36,766,815 |
| Un-paid considerations for equity acquisitions | **9,911,259** | 4,569,360 |
| Amounts due to non-controlling interests and their related parties (ii) | **5,546,634** | 7,031,599 |
| Notes payables | **5,650,538** | 230,198 |
| Payables for PP&E and investment properties | **10,939,331** | 6,718,218 |
| Other taxes payable | **4,349,916** | 3,162,179 |
| Interests payable | **2,901,451** | 2,250,505 |
| Payroll and welfare payables | **2,033,125** | 1,090,426 |
| Other payables(iii) | **15,520,383** | 6,969,840 |
| | **92,786,353** | 68,789,140 |

Note:

(i) At 31 December 2018, the ageing analysis at the trade payable is performed based on the date of the liability recognition on accrual basis. The ageing analysis of the Group's trade payables is as follows:

| | **31 December 2018 RMB'000** | 31 December 2017 RMB'000 |
|---|---|---|
| Within 90 days | **13,604,385** | 12,826,711 |
| 91-180 days | **5,320,748** | 5,303,460 |
| 181-365 days | **9,037,798** | 5,151,093 |
| Over 365 days | **7,970,785** | 13,485,551 |
| | **35,933,716** | 36,766,815 |

(ii) The amounts due to non-controlling interests and their related parties are unsecured, interest free and repayable on demand.

(iii) Other payables mainly included deposits from customers, deed tax and maintenance funds received on behalf of customers and cash advanced from potential equity investment partners.

## 25 Borrowings

| | **31 December 2018 RMB'000** | 31 December 2017 RMB'000 |
|---|---|---|
| **Non-current** | | |
| Secured, | | |
| - Bank and other institution borrowings | **156,003,354** | 159,122,216 |
| - Senior notes (A) | **22,143,124** | 9,059,336 |
| - Asset-backed securities (D) | **2,890,353** | 3,093,089 |
| | **181,036,831** | 171,274,641 |
| Unsecured, | | |
| - Bank and other institution borrowings | **2,089,068** | 5,531,108 |
| - Corporate bonds (B) | **7,792,522** | 9,927,847 |
| - Private domestic corporate bonds (C) | **16,994,986** | 15,907,112 |
| | **26,876,576** | 31,366,067 |
| | **207,913,407** | 202,640,708 |
| Less: Current portion of non-current borrowings (E) (i) | **(70,549,887)** | (62,043,522) |
| | **137,363,520** | 140,597,186 |
| **Current** | | |
| Secured, | | |
| - Bank and other institution borrowings | **21,169,912** | 16,251,427 |
| - Asset-backed securities (D) | **311,755** | 77,711 |
| | **21,481,667** | 16,329,138 |
| Unsecured, | | |
| - Bank and other institution borrowings | **13,989** | 300,000 |
| | **21,495,656** | 16,629,138 |
| Current portion of non-current borrowings (E) (i) | **70,549,887** | 62,043,522 |
| | **92,045,543** | 78,672,660 |
| Total borrowings | **229,409,063** | 219,269,846 |

## 25 Borrowings *(continued)*

### (A) SENIOR NOTES

The Company issued senior notes ("Senior Notes") on the Singapore Exchange Securities Trading Limited, payable semi-annually in arrears. As at 31 December 2018, the issue date, principal and interest rate of the outstanding Senior Notes were shown as below:

| Issue date | Maturity | Principal USD million | Interest rate |
|---|---|---|---|
| 5 December 2014 | 5 years | 400 | 8.75% |
| 8 August 2017 | 3 years | 400 | 6.875% |
| 8 August 2017 | 5 years | 600 | 7.95% |
| 19 April 2018 | 3.25years | 650 | 7.35% |
| 19 April 2018 | 5 years | 450 | 8.35% |
| 27 July 2018 | 2 years | 400 | 8.625% |
| 29 November 2018 | 1.67 years | 350 | 8.625% |
| | | 3,250 | |

According to the term of the Senior Notes, at any time and from time to time on or after the redemption date set forth below, the Company may redeem the Senior Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interests, if any, to (but not including) the redemption date.

## 25 Borrowings *(continued)*

### (A) SENIOR NOTES *(continued)*

The redemption prices are shown as below:

| Redemption time | | Redemption prices |
|---|---|---|
| (i) | USD400 million: | |
| | Prior to 5 December 2017 | |
| | - Redemption up to 35% | 108.75% |
| | - Redemption in whole but not in part (i) | 100%+ customary make-whole premium |
| | 5 December 2017 to 31 December 2017 | 104.4% |
| | 2018 and thereafter | 102.2% |
| (ii) | USD400 million: | |
| | Prior to 8 August 2020 | |
| | - Redemption up to 35% | 106.88% |
| | - Redemption in whole but not in part (ii) | 100%+ customary make-whole premium |
| (iii) | USD600 million: | |
| | Prior to 8 August 2020 | |
| | - Redemption up to 35% | 107.95% |
| | - Redemption in whole but not in part (iii) | 100%+ customary make-whole premium |
| | 8 August 2020 to 31 December 2020 | 103.98% |
| | 2020 and beyond | 101.99% |

## 25 Borrowings *(continued)*

### (A) SENIOR NOTES *(continued)*

| Redemption time | | Redemption prices |
|---|---|---|
| (iv) | USD650 million: | |
| | Prior to 19 July 2020 | |
| | - Redemption up to 35% | 107.35% |
| | - Redemption in whole but not in part (iv) | 100%+ customary make-whole premium |
| | After 19 July 2020 | 103.675% |
| (v) | USD450 million: | |
| | Prior to 19 April 2021 | |
| | - Redemption up to 35% | 108.35% |
| | - Redemption in whole but not in part (v) | 100%+ customary make-whole premium |
| | 19 April 2021 to 31 December 2021 | 104.175% |
| | 2022 and afterwards | 102.0875% |
| (vi) | USD400 million: | |
| | Prior to 27 July 2020 | |
| | - Redemption up to 35% | 108.625% |
| | - Redemption in whole but not in part (vi) | 100%+ customary make-whole premium |
| (vii) | USD350 million: | |
| | Prior to 27 July 2020 | |
| | - Redemption up to 35% | 108.625% |
| | - Redemption in whole but not in part (vii) | 100%+ customary make-whole premium |

## 25 Borrowings *(continued)*

### (A) SENIOR NOTES *(continued)*

Note:

(i) The customary make-whole premium is the greater of (1) 1% of the principal amount and (2) the excess of the present value of 104.4% of the principal plus the accrued and unpaid interest amount for the period from the redemption date to 5 December 2017 over the principal amount at the redemption.

(ii) The customary make-whole premium is the greater of (1) 1% of the principal amount and (2) the excess of the present value of the principal plus the accrued and unpaid interest amount for the period from the redemption date to 8 August 2020 over the principal amount at the redemption.

(iii) The customary make-whole premium is the greater of (1) 1% of the principal amount and (2) the excess of the present value of 103.98% of the principal plus the accrued and unpaid interest amount for the period from the redemption date to 8 August 2020 over the principal amount at the redemption.

(iv) The customary make-whole premium is the greater of (1) 1% of the principal amount and (2) the excess of the present value of 103.675% of the principal plus the accrued and unpaid interest amount for the period from the redemption date to 19 July 2020 over the principal amount at the redemption

(v) The customary make-whole premium is the greater of (1) 1% of the principal amount and (2) the excess of the present value of 104.175% of the principal plus the accrued and unpaid interest amount for the period from the redemption date to 19 April 2021 over the principal amount at the redemption.

(vi) The customary make-whole premium is the greater of (1) 1% of the principal amount and (2) the excess of the present value of the principal plus the accrued and unpaid interest amount for the period from the redemption date to 27 July 2020 over the principal amount at the redemption.

(vii) The customary make-whole premium is the greater of (1) 1% of the principal amount and (2) the excess of the present value of the principal plus the accrued and unpaid interest amount for the period from the redemption date to 27 July 2020 over the principal amount at the redemption.

These early redemption options are regarded as embedded derivatives not closely related to the host contract. The Directors are of the view that the fair value of the above early redemption option is not material on initial recognition and as at 31 December 2018.

## 25 Borrowings *(continued)*

### (B) CORPORATE BONDS

Sunac Real Estate issued corporate bonds (the "Corporate Bonds") on the Shanghai Stock Exchange, payable annually in arrears. The details of the outstanding Corporate Bonds are shown as below:

| Issue dates | Principal amount RMB'000 | Interest rate | Maturity |
|---|---|---|---|
| 15 August 2015 | 1,178,455 | 6.80% | 5 years |
| 15 August 2015 | 2,500,000 | 5.70% | 5 years |
| 1 September 2015 | 164,740 | 7.50% | 5 years |
| 16 August 2016 | 1,200,000 | 3.44% | 5 years |
| 16 August 2016 | 2,800,000 | 4.00% | 7 years |
| | 7,843,195 | | |

Except for the bond issued on 15 August 2015 with the interest rate of 5.7%, all the other Corporate Bonds are with the issuer's option to raise the coupon rate and the investors' option to sell back the bonds at the end of the third or fifth years.

The underwriting fees of the Corporate Bonds were charged at 0.3%~0.6% of the issue size.

The options embedded in the Corporate Bonds were not closely related to the host contracts and were recognised at fair value at the respective issue date and 31 December 2018 (note 26).

## 25 Borrowings *(continued)*

### (C) PRIVATE DOMESTIC CORPORATE BONDS

Sunac Real Estate issued private domestic corporate bonds (the "Private Bonds") on the Shanghai Stock Exchange and the Shenzhen Stock Exchange. The details are shown as below:

| Issue date | Principal amount RMB'000 | Interest rate | Maturity |
|---|---|---|---|
| 22 January 2016 | 5,000,000 | 6.39% | 7 years |
| 7 March 2016 | 3,500,000 | 5.40% | 5 years |
| 3 May 2016 | 2,700,000 | 5.85% | 6 years |
| 13 June 2016 | 2,300,000 | 5.45% | 6 years |
| 5 July 2017 | 1,000,000 | 6.50% | 3 years |
| 11 April 2018 | 500,000 | 9.50% | 3 years |
| 28 August 2018 | 1,000,000 | 7.50% | 3 years |
| 9 September 2018 | 1,010,000 | 7.50% | 3 years |
| | 17,010,000 | | |

Except for the bond issued in 2017 and the bond issued on 11 April 2018, all the other Private Bonds are with the issuer's option to raise the coupon rate and the investors' option to sell back the bonds at the end of the first, second, third or fifth years.

The options embedded were not closely related to the host contracts and were recognised at fair value at the issue date and 31 December 2018 (note 26).

### (D) ASSETS-BACKED SECURITIES

The Group entered into asset-backed special agreements with third-party financing institutions in the form of asset securitisation. These asset-backed securities are backed by the right of receipt of the property management service fee or the certain contract receivables rights of property sales. These securities are guaranteed by Sunac Real Estate. As at 31 December 2018, the details of the outstanding assets-backed securities are shown as below:

| Issue dates | Principal amount RMB'000 | Interest rate | Maturity |
|---|---|---|---|
| 26 April 2016 | 614,600 | 5.30%-5.70% | 2-5 years |
| 11 October 2016 | 2,275,753 | 4.28% | 3 years |
| 16 March 2018 | 163,055 | 6.80% | 1 year |
| 25 September 2018 to 16 October 2018 | 113,400 | 13.5% | 1 year |
| 29 September 2018 to 29 December 2018 | 35,300 | 13.1% | 1 year |
| | 3,202,108 | | |

## 25 Borrowings *(continued)*

### (E) LONG-TERM BORROWINGS

(i) As at 31 December 2018, non-current borrowings included RMB 56,533 million (2017: RMB 64,864 million) that were relating to certain of the Group's property development projects, and will be due for repayment when the percentage of pre-sale has accumulatively achieved 20% - 80%, as determined on the gross floor area of the respective projects. Based on contractual maturity terms and the management's sales forecast, RMB 18,758 million (2017: RMB 10,400 million) of these borrowings will be due for repayment in the year ending 31 December 2019 and are included in current liabilities.

(ii) The Group's long-term borrowings as at 31 December 2018 were repayable as follows:

| | **31 December 2018 RMB'000** | 31 December 2017 RMB'000 |
|---|---|---|
| Between 1 and 2 years | **75,952,364** | 54,214,137 |
| Between 2 and 5 years | **57,951,481** | 78,041,362 |
| Over 5 years | **3,459,675** | 8,341,687 |
| | **137,363,520** | 140,597,186 |

The weighted-average effective interest rates for the year ended 31 December 2018 was 6.81% (2017: 6.24%).

(iii) Fair value of financial liabilities is not measured at fair value on a recurring basis (but fair value disclosures are required).

The carrying amounts of bank borrowings, borrowings from other financial institutions and assets-backed securities approximate their fair values. The fair values of Senior Notes as at 31 December 2018 amounted to RMB 21,842 million, which were calculated based on the market price of the traded senior notes at the balance sheet date. The fair values of Corporate Bonds and Private Bonds as at 31 December 2018 amounted to RMB 25,651 million, which were calculated based on the active market price at the balance sheet date. The fair values of Senior Notes are within level 1 of the fair value hierarchy and the fair values of Corporate Bonds and Private Bonds are within level 2 of the fair value hierarchy.

## 25 Borrowings *(continued)*

### (E) LONG-TERM BORROWINGS *(continued)*

(iv) The exposure of the Group's borrowings with variable interest rates to interest-rate changes and the contractual re-pricing dates are as follows:

| | **31 December 2018 RMB'000** | 31 December 2017 RMB'000 |
|---|---|---|
| 6 months or less | **14,673,606** | 21,766,335 |
| 7 - 12 months | **28,425,038** | 31,057,932 |
| Over 12 months | **16,791,121** | 23,637,220 |
| | **59,889,765** | 76,461,487 |

(v) As at 31 December 2018, the Group's borrowings of RMB 202,518 million (2017: RMB 187,604 million) were secured or joint secured by the Group's certain current assets and non-current assets, and the equity interests of certain subsidiaries. See note 38 for detail information of assets pledged as security.

### (F) THE CARRYING AMOUNTS OF THE GROUP'S BORROWINGS ARE DENOMINATED IN THE FOLLOWING CURRENCIES:

| | **31 December 2018 RMB'000** | 31 December 2017 RMB'000 |
|---|---|---|
| RMB | **200,786,348** | 206,111,019 |
| USD | **24,613,876** | 10,725,557 |
| HKD | **3,676,208** | 2,101,784 |
| EUR | **332,631** | 331,486 |
| | **229,409,063** | 219,269,846 |

## 26 Derivative financial instruments

| | **2018** | 2017 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Financial assets | | |
| - Currency derivative contracts (i) | **153,507** | 14,865 |
| - Option derivative contract (ii) | **125,817** | — |
| Financial liabilities | | |
| - Options embedded in Corporate Bonds and Private Bonds (note 25) | **57,411** | 221,473 |
| - Currency derivative contracts (i) | **36,115** | — |

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair values. The change of fair value is recognised immediately in profit or loss. For information about the methods and assumptions used in determining the fair value of derivatives please refer to note 5(A).

(i) As at 31 December 2018, the currency derivative contracts comprised various contracts with nominal amount totalling USD 1,050 million (2017: USD 600 million), the settlement dates of which are between January 2019 and November 2021. According to the contracts, the Group will be able to buy USD nominal amount at the agreed strike price with CNY on the settlement date.

(ii) The option derivative contract is forward option embedded in an uncompleted equity securities contract. This option was not to closely related to the host contract and were recognised at fair value at 31 December 2018.

## 27 Provisions

| | 2018 RMB'000 | 2017 RMB'000 |
|---|---|---|
| Provisions for financial guarantee provided to related parties (i) | **474,494** | 352,286 |
| Provisions for financial guarantee on mortgage (i) | **136,475** | — |
| Provision for contractually committed increase investment in associates | — | 290,681 |
| | **610,969** | 642,967 |

(i) Note 4.1(b) provides for details about the calculation of the allowance for financial guarantee.

## 28 Expenses by nature

| | 2018 RMB'000 | 2017 RMB'000 |
|---|---|---|
| Costs of properties sold | **88,643,224** | 49,596,459 |
| Business tax and related surcharge | **782,329** | 1,050,478 |
| Staff costs (note 29) | **5,485,416** | 2,937,400 |
| Provision/(Reversal of) for impairment of properties | **360,333** | (244,501) |
| Net impairment losses on financial and contract assets (note 3(I)) | **3,485,395** | 2,376,177 |
| Advertisement and promotion costs | **2,496,145** | 2,147,682 |
| Profession service expenses | **906,501** | 364,453 |
| Depreciation and amortisation | **992,164** | 339,145 |
| Auditors' remunerations | | |
| – Audit services | **22,000** | 21,240 |
| – Non-audit services | **1,550** | 6,460 |

## 29 Employee benefit expense

| | 2018 RMB'000 | 2017 RMB'000 |
|---|---|---|
| Wages and salaries | **4,210,817** | 2,341,634 |
| Pension costs | **603,596** | 221,440 |
| Staff welfare | **379,968** | 163,956 |
| Share options granted to directors and employees (note 22) | **291,035** | 210,370 |
| | **5,485,416** | 2,937,400 |

## 30 Other income and gains

| | 2018 RMB'000 | 2017 RMB'000 |
|---|---|---|
| Gains from business combination (note 41) | **5,346,752** | 25,107,561 |
| Interest income (i) | **2,933,793** | 2,032,562 |
| Gains from disposals of subsidiaries (note 42) | **637,195** | 35,648 |
| Fair value gains on financial assets at FVPL | **888,871** | — |
| Fair value gains on derivative financial instruments | **332,644** | — |
| Fair value gains on investment properties | **208,988** | — |
| Others | **1,499,848** | 740,492 |
| | **11,848,091** | 27,916,263 |

(i) Details of interest income are as follows:

| | 2018 RMB'000 | 2017 RMB'000 |
|---|---|---|
| Interest income from related companies (note 43) | **2,780,430** | 1,741,778 |
| Other interest income | **153,363** | 290,784 |
| | **2,933,793** | 2,032,562 |

## 31 Other expenses and losses

| | 2018 RMB'000 | 2017 RMB'000 |
|---|---|---|
| Contracts termination expenses (note 41) | **498,570** | — |
| Impairment provisions for investments in associates | **404,047** | 8,928,907 |
| Impairment provisions for other intangible assets | **368,431** | — |
| Impairment provisions for goodwill | **189,020** | 57,325 |
| Losses on business combination (note 41) | **119,632** | — |
| Fair value losses on investment properties | — | 13,491 |
| Losses on disposals of subsidiaries | — | 261,274 |
| Impairment provisions for prepaid equity investments in associates | — | 411,021 |
| Impairment provisions for contractually committed Additional Acquisition Contracts in investments in associates | — | 290,681 |
| Fair value losses and expense on derivative financial instruments | — | 185,821 |
| Others | **406,411** | 188,389 |
| | **1,986,111** | 10,336,909 |

## 32 Finance income and expenses

| | 2018 RMB'000 | 2017 RMB'000 |
|---|---|---|
| Interest expenses | **14,623,745** | 11,090,959 |
| Less: Capitalised finance costs | **(12,936,990)** | (5,748,747) |
| | **1,686,755** | 5,342,212 |
| Exchange losses/(gains) | **1,206,738** | (82,762) |
| | **2,893,493** | 5,259,450 |
| Finance income: | | |
| – Interest income on bank deposits | **(806,208)** | (736,000) |
| | **2,087,285** | 4,523,450 |

The capitalisation rate used to determine the amount of the interests incurred eligible for capitalisation in 2018 was 6.81% (2017: 6.24%) per annum.

## 33 Income tax expenses

| | **2018** | 2017 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| CIT | | |
| Current income tax | **10,066,909** | 4,288,151 |
| Deferred income tax | | |
| – Increase in deferred tax assets (note 12) | **(2,304,114)** | (1,736,022) |
| – Decrease in deferred tax liabilities (note 12) | **(1,640,768)** | (1,465,590) |
| | **6,122,027** | 1,086,539 |
| LAT | **5,097,202** | 2,608,069 |
| | **11,219,229** | 3,694,608 |

## 33 Income tax expenses *(continued)*

### (A) CIT

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted-average tax rate applicable to profits of the consolidated entities as follows:

| | **2018** | 2017 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Profit before income tax | **28,664,230** | 15,358,988 |
| Income tax calculated at the PRC tax rate 25% (2017: 25%) | **7,166,058** | 3,839,747 |
| Difference in overseas tax rates | **652,443** | 416,871 |
| Difference in tax rates change | **(80,351)** | — |
| LAT | **(1,274,301)** | (652,017) |
| Tax effect of amounts which are not deductible in calculating taxable income: | | |
| – Losses on business combination | **29,908** | — |
| – Losses on disposal of subsidiaries | — | 65,319 |
| – Entertainment expenses | **74,730** | 28,429 |
| – Staff welfare | **7,198** | 2,586 |
| – Penalty | **7,307** | 4,761 |
| – Others | **174,935** | 8,971 |
| Tax effect of amounts which are not taxable in calculating taxable income: | | |
| – Gains from business combination | **(1,336,688)** | (6,276,890) |
| – Gains from disposals of subsidiaries | **(159,299)** | (8,912) |
| – Gain from disposal of a joint venture | **(1,859)** | — |
| – Others | **(71,666)** | — |
| Share of (profits)/losses of investments accounted for using equity method, net | **(1,238,999)** | 498,401 |
| Tax on losses for which no DTA were recognised | **459,912** | 202,230 |
| Tax on temporary differences for which no DTA were recognised | **1,176,597** | 3,037,077 |
| Utilisation of tax losses with no DTA recognition | **(126,723)** | (128,196) |
| Tax impact on temporary differences with no DTA or DTL recognition in previous years | **80,969** | (286,620) |
| Write-off of DTA | **243,009** | 99,841 |
| Dividends tax for distributable profits of PRC subsidiaries | **338,847** | 234,941 |
| | **6,122,027** | 1,086,539 |

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries or regions in which the Group operates.

Pursuant to the applicable rules and regulations of Cayman Islands and British Virgin Islands ("BVI"), the Company and the BVI subsidiaries of the Group are not subject to any income tax in those jurisdictions.

Income tax expense is recognised based on management's estimate of the weighted-average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the year ended 31 December 2018 was 25% (2017: 25%).

## 33 Income tax expenses *(continued)*

### (A) CIT *(continued)*

In accordance with the PRC Corporate Income Tax Law, a 10% withholding income tax is levied on dividends declared to foreign investors from the enterprises with foreign investments established in the PRC. The Group is therefore liable to withholding taxes on dividends distributable by those subsidiaries established in the PRC in respect of their earnings generated from 1 January 2008.

### (B) TAX LOSSES

| | **31 December 2018 RMB'000** | 31 December 2017 RMB'000 |
|---|---|---|
| Unused tax losses for which no deferred tax asset has been recognised | **3,435,554** | 2,280,574 |
| Potential tax benefit | **858,889** | 570,144 |

DTA are recognised for tax losses carry-forward to the extent that the realisation of the related benefit through the taxable profits for the deduction periods according to the PRC tax laws and regulations is probable. Therefore, the Group did not recognise DTA of RMB 859 million (2017: RMB 570 million) in respect of accumulated losses amounting to RMB 3,436 million (2017: RMB 2,281 million) as the Group estimates that the related subsidiaries will not have sufficient tax income to utilise the tax deduction benefits in the future deduction period. Within these accumulated losses, amounts of RMB 344 million, RMB 362 million, RMB 394 million, RMB 496 million and RMB 1,840 million, as at 31 December 2018 will expire respectively in 2019, 2020, 2021, 2022 and 2023.

### (C) UNRECOGNISED TEMPORARY DIFFERENCES

| | **31 December 2018 RMB'000** | 31 December 2017 RMB'000 |
|---|---|---|
| Temporary difference for which DTA have not been recognised | **16,493,620** | 11,765,007 |
| Unrecognised DTA | **4,123,405** | 2,941,252 |

As of 31 December 2018, the Group has deductible temporary differences of RMB 16,494 million (2017: RMB 11,765 million) in respect of which no DTA have been recognised as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

### (D) LAT

PRC LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including lease charges for land use rights and all property development expenditures. LAT is included in the income statement as income tax expense.

## 34 Earnings per share

### (A) BASIC

Basic earnings per share are calculated by dividing the profit attributable to owners of the Company by the weighted-average number of ordinary shares in issue during the year.

| | **2018** | 2017 |
|---|---|---|
| Profit attributable to owners of the parent company (RMB'000) | **16,566,535** | 11,003,863 |
| Weighted-average number of ordinary shares in issue (thousand) | **4,402,505** | 3,991,551 |
| Adjusted for purchase of shares for share award scheme (thousand) | **(26,025)** | — |
| Weighted-average number of ordinary shares for basic earnings per share (thousand) | **4,376,480** | 3,991,551 |

### (B) DILUTED

Diluted earnings per share are calculated by adjusting the weighted-average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: share options. For the share options, the number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share for the year) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share.

| | **2018** | 2017 |
|---|---|---|
| Profit attributable to owners of the parent company (RMB'000) | **16,566,535** | 11,003,863 |
| Weighted-average number of ordinary shares in issue (thousand) | **4,402,505** | 3,991,551 |
| Adjusted for purchase of shares for share award scheme (thousand) | **(26,025)** | — |
| Adjusted for share options (thousand) | **55,966** | 78,804 |
| Weighted-average number of ordinary shares for diluted earnings per share (thousand) | **4,432,446** | 4,070,355 |

## 35 Cash flow information

### (A) CASH GENERATED FROM OPERATIONS

| | Note | 2018 RMB'000 | 2017 RMB'000 |
|---|---|---|---|
| Profit before income taxes | | **28,664,230** | 15,358,988 |
| Adjustments for: | | | |
| – Finance costs | | **13,905,896** | 5,259,450 |
| – Gains from business combinations | 30 | **(5,346,752)** | (25,107,561) |
| – Gains from disposals of subsidiaries | 30 | **(637,195)** | (35,648) |
| – Interest income | 30 | **(2,933,793)** | (2,032,562) |
| – Gain from disposal of joint ventures | 30 | **(7,434)** | — |
| – Losses on disposals of subsidiaries | 31 | — | 261,274 |
| – Losses on business combinations | 31 | **119,632** | — |
| – Fair value changes of FVPL | 30 | **(888,871)** | — |
| – Fair value changes and expense on derivative financial instruments | 30/31 | **(332,644)** | 185,821 |
| – Fair value (gains)/losses on investment properties | 30/31 | **(208,988)** | 13,491 |
| – Impairment provisions of investments in an associate | 31 | **404,047** | 9,339,928 |
| – Impairment of other intangible assets | 31 | **368,431** | — |
| – Impairment of Goodwill | 31 | **189,020** | 57,325 |
| – Net impairment losses on financial and contract assets | 28 | **3,485,395** | 2,376,177 |
| – Amortisation of intangible assets | 10 | **161,192** | 45,054 |
| – Depreciation | 8 | **830,972** | 294,091 |
| – Loss on disposal of PP&E | | **14,992** | 31 |
| – Share of (profits)/loss of joint ventures and associates | 11 | **(4,821,811)** | 2,146,605 |
| – Value of employee services | 29 | **291,035** | 210,370 |
| – Gains from acquisitions of investments in joint ventures and associates | 11 | **(134,183)** | (153,001) |
| – Loss for contractually committed Additional Acquisition Contracts | 31 | — | 290,681 |
| Changes in working capital | | | |
| – Restricted cash | | **(13,388,308)** | (10,346,030) |
| – Properties under development and completed properties held for sale, net | | **1,882,693** | (11,187,875) |
| – Inventories | | **(4,196)** | (10,770) |
| – Trade and other receivables and prepayments | | **(9,310,746)** | 22,019,145 |
| – Contract assets | | **(668,427)** | (143,202) |
| – Contract liabilities | | **47,554,775** | 47,981,683 |
| – Trade and other payables | | **4,732,377** | (9,567,030) |
| – Amount due from/to related companies, net | | **(672,028)** | 35,907,354 |
| Cash generated from operations | | **63,249,311** | 83,163,789 |

## 35 Cash flow information *(continued)*

### (B) NET DEBT RECONCILIATION

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

| | Note | **2018** | 2017 |
|---|---|---|---|
| | | **RMB'000** | RMB'000 |
| Cash and cash equivalents | 19 | **76,181,041** | 68,433,256 |
| Borrowings – repayable within one year | 25 | **(92,045,543)** | (78,672,660) |
| Borrowings – repayable after one year | 25 | **(137,363,520)** | (140,597,186) |
| Net debt | | **(153,228,022)** | (150,836,590) |
| Cash and cash equivalents | | **76,181,041** | 68,433,256 |
| Gross debt – fixed interest rates | 4 | **(169,519,298)** | (142,808,359) |
| Gross debt – variable interest rates | 4 | **(59,889,765)** | (76,461,487) |
| Net debt | | **(153,228,022)** | (150,836,590) |

| | **Other assets** | **Liabilities from financing activities** | | |
|---|---|---|---|---|
| | | **Borrow due** | **Borrow due** | |
| | **Cash** | **within 1 year** | **after 1 year** | **Total** |
| | **RMB'000** | **RMB'000** | **RMB'000** | **RMB'000** |
| **Net debt as at 1 January 2017** | 52,086,050 | (32,644,337) | (80,199,682) | (60,757,969) |
| Cash flows | 66,382,272 | (39,022,223) | (21,159,220) | 6,200,829 |
| Changes arising from business combination | (50,359,961) | (7,117,131) | (40,631,045) | (98,108,137) |
| Changes arising from disposal of subsidiaries | 271,954 | 111,031 | 1,362,940 | 1,745,925 |
| Foreign exchange adjustments | 52,941 | — | 29,821 | 82,762 |
| **Net debt as at 31 December 2017** | 68,433,256 | (78,672,660) | (140,597,186) | (150,836,590) |
| Cash flows | 13,560,030 | (13,426,186) | 1,391,691 | 1,525,535 |
| Changes arising from business combination (note 41) | (4,272,673) | (1,254,837) | (2,692,455) | (8,219,965) |
| Changes arising from disposal of subsidiaries (note 42) | (1,738,404) | 1,308,140 | 5,940,000 | 5,509,736 |
| Foreign exchange adjustments (note 32) | 198,832 | — | (1,405,570) | (1,206,738) |
| **Net debt as at 31 December 2018** | 76,181,041 | (92,045,543) | (137,363,520) | (153,228,022) |

## 36 Commitments

### (A) PROPERTY DEVELOPMENT EXPENDITURES AT THE BALANCE SHEET DATE BUT NOT YET INCURRED IS AS FOLLOWS:

| | **31 December 2018 RMB'000** | 31 December 2017 RMB'000 |
|---|---|---|
| Contracted but not provided for | | |
| – PUDs and completed properties held for sale | **73,941,626** | 41,508,503 |
| – PP&E | **7,073,402** | 7,888,754 |
| – Investment properties | **3,806,360** | 3,958,371 |
| – Intangible assets | **11,234** | 26,170 |
| | **84,832,622** | 53,381,798 |

### (B) EQUITY INVESTMENTS

| | **31 December 2018 RMB'000** | 31 December 2017 RMB'000 |
|---|---|---|
| Contracted but not provided for | **11,200,582** | 3,505,319 |

### (C) OPERATING LEASE COMMITMENTS

The future aggregate minimum lease rental expense in respect of certain office buildings under non-cancellable operating leases contracts are payable in the following periods:

| | **31 December 2018 RMB'000** | 31 December 2017 RMB'000 |
|---|---|---|
| No later than 1 year | **123,418** | 77,059 |
| Later than 1 year and no later than 5 years | **209,000** | 104,138 |
| Later than 5 years | **4,427** | 4,638 |
| | **336,845** | 185,835 |

## 37 Contingent liabilities

### (A) GUARANTEE ON MORTGAGE FACILITIES

The Group and the Company had the following contingent liabilities in respect of financial guarantees on mortgage facilities:

| | **31 December 2018 RMB'000** | 31 December 2017 RMB'000 |
|---|---|---|
| Guarantees in respect of mortgage facilities for certain purchasers of the Group's property units | **88,598,358** | 49,779,582 |

The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of (i) the transfer of the real estate ownership certificate to the purchaser which will generally occur within an average period of six months of the properties delivery dates; or (ii) the satisfaction of mortgage loans by the purchasers of the properties.

Pursuant to the terms of the guarantees, upon default of mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principal together with accrued interest and penalties owed by the defaulting purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the date of grant of the mortgage. The directors consider that the likelihood of default of payments by purchasers is minimal.

In addition, the Group had provided guarantees for certain joint ventures and associates for their borrowings amounted to RMB 23.82 billion (2017: RMB 16.72 billion) together with the equity investment partners on pro rata basis.

## 38 Assets pledged as security

The carrying amounts of assets pledged as security for current and non-current borrowings are:

| | Note | **31 December 2018 RMB'000** | 31 December 2017 RMB'000 |
|---|---|---|---|
| **Current-** | | | |
| PUDs | 14 | **135,681,521** | 122,596,138 |
| Completed properties held for sale | 15 | **12,267,060** | 13,974,091 |
| Restricted cash | 18 | **2,055,820** | 5,261,325 |
| Total current assets pledged as security | | **150,004,401** | 141,831,554 |
| **Non-current-** | | | |
| PP&E | 8 | **24,652,648** | 11,739,124 |
| Investment properties | 9 | **11,775,515** | 10,179,872 |
| Intangible assets | 10 | **1,096,574** | 657,876 |
| Total non-current assets pledged as security | | **37,524,737** | 22,576,872 |

## 39 Financial instruments by category

| | **31 December 2018 RMB'000** | 31 December 2017 RMB'000 |
|---|---|---|
| Financial assets at amortised cost | | |
| – Trade and other receivables | **27,950,266** | 19,327,449 |
| – Restricted cash | **44,017,011** | 28,285,601 |
| – Cash and cash equivalents | **76,181,041** | 68,433,256 |
| – Amounts due from related companies | **48,965,621** | 61,082,790 |
| Available-for-sale financial assets | **—** | 871,578 |
| Financial assets at FVPL | **10,006,092** | — |
| Derivative financial instruments | **279,324** | 14,865 |
| | **207,399,355** | 178,015,539 |

## 39 Financial instruments by category *(continued)*

| | **31 December 2018 RMB'000** | 31 December 2017 RMB'000 |
|---|---|---|
| Financial liabilities at amortised costs | | |
| – Borrowings | **229,409,063** | 219,269,846 |
| – Amounts due to related companies | **62,663,166** | 91,947,252 |
| – Trade and other payables | **87,877,685** | 66,028,862 |
| Derivative financial instruments | **93,526** | 221,473 |
| | **380,043,440** | 377,467,433 |

Note: Trade and other payables in this analysis do not include the taxes payables and payroll and welfare payables.

## 40 Transactions with non-controlling interests

In 2018, the Group has acquired additional equity interests of its non-wholly owned subsidiaries through certain transactions with non-controlling interests which resulted in the total decrease in non-controlling interests of RMB 30.60 million and total decrease in net assets attributable to the owners of the Company of RMB 129.86 million.

## 41 Business combination

### (A) ACQUISITIONS OF SUBSIDIARIES

In the year ended 31 December 2018, the major acquisitions of new subsidiaries are summarised as follows:

| | Chongqing Wanda RMB'000 (note(i)) | Wanda Management Companies RMB'000 (note(ii)) | Others RMB'000 (note(iii)) | Total RMB'000 |
|---|---|---|---|---|
| Fair value of total interests acquired | 6,421,514 | 302,832 | 9,793,233 | 16,517,579 |
| Cash considerations for acquisition of | | | | |
| – equity interests | 3,635,534 | 4,695,320 | 4,628,844 | 12,959,698 |
| – debts due to shareholders | — | — | 651,129 | 651,129 |
| Re-measurement of previously held interests | — | — | 4,058,326 | 4,058,326 |
| Gains from acquisition of new subsidiaries | 2,785,980 | — | 717,359 | 3,503,339 |
| Goodwill from acquisition of new subsidiaries | — | 4,392,488 | 262,425 | 4,654,913 |
| Re-measurement of previously held interests | — | — | 4,058,326 | 4,058,326 |
| Less: Book value of previously held interests | — | — | 2,334,545 | 2,334,545 |
| Gains on re-measurement | — | — | 1,843,413 | 1,843,413 |
| Losses on re-measurement | — | — | (119,632) | (119,632) |

The following table set out a summary of the financial impacts:

| | Chongqing Wanda RMB'000 (note(i)) | Wanda Management Companies RMB'000 (note(ii)) | Others RMB'000 (note(iii)) | Total RMB'000 |
|---|---|---|---|---|
| Gains from acquisition of new subsidiaries | 2,785,980 | — | 2,560,772 | 5,346,752 |
| Losses from acquisition of new subsidiaries | — | — | (119,632) | (119,632) |
| Goodwill from acquisition of new subsidiaries | — | 4,392,488 | 262,425 | 4,654,913 |

## 41 Business combination *(continued)*

### (A) ACQUISITIONS OF SUBSIDIARIES *(continued)*

Note:

(i) Acquisition of Chongqing Wanda cultural and tourism project company ("Chongqing Wanda")

In July 2017, the Group entered into an acquisition agreement to acquire 91% equity interests of the fourteen Wanda Project Companies from Wanda Commercial at a total consideration of RMB 43,844 million. These Wanda Project Companies were engaged in real estate property development, hotel, shopping mall and theme parks operation in the PRC. The Group had obtained the control of thirteen project companies, except for Chongqing Wanda, in the year ended 31 December 2017.

The Group obtained the control of Chongqing Wanda in January 2018.

(ii) Acquisition of Chengdu Wanda Theme Cultural and Tourism Management Co., Ltd. ("Wanda Cultural Management") and Wanda Culture Travel Innovation Group Co., Limited ("Wanda BVI") (collectively, "Wanda Management Companies")

In October 2018, the Group entered into an acquisition agreement to acquire 100% equity interests of Wanda Management Companies. Wanda Cultural Management engaged in the provision of below services to the fourteen Wanda Project Companies under a long-term service contract ("Management Contract"):

a. the overall planning and design and the construction and management services of properties under the Wanda Project Companies; and

b. the services such as brand licensing, operation consulting and operational management for properties under the Wanda Project Companies.

As part of the transaction, the Management Contract was terminated and twelve Wanda Project Companies had obtained the right to use a trademark granted by Wanda Commercial.

The consideration totalled approximately RMB 6.28 billion were allocated to termination cost of Management Contract, cost of acquisition of trademark, and cost of acquisition of equity interest in Wanda Management Companies, amounting to RMB 499 million, RMB 1,086 million and RMB 4,695 million, respectively. The consideration of Management Contract termination was determined by the difference between market value of these contracts at termination date, and the present value of their forecasting profits calculated based on original contractual terms.

(iii) Acquisition of other companies

During the year ended 31 December 2018, the Company acquired equity interests in several project companies from third parties, at a total consideration of RMB 5,280 million. Upon completion of these transactions, these entities became subsidiaries of the Group.

## 41 Business combination *(continued)*

(B) The fair value of the identifiable assets and liabilities and cash and cash equivalent impact arising from the acquisitions of subsidiaries in the above transactions are summarised as follows:

| | Chongqing Wanda RMB'000 | Wanda Management Companies RMB'000 | Others RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| *(1) Fair value of net assets* | | | | |
| **Non-current assets** | | | | |
| PP&E | 1,772,618 | 4,818 | 5,459 | 1,782,895 |
| Intangible assets | 20,124 | — | 211 | 20,335 |
| DTA | — | — | 207,461 | 207,461 |
| **Current assets** | | | | |
| PUDs | 12,995,053 | — | 28,474,682 | 41,469,735 |
| Completed properties held for sale | — | — | 1,589,871 | 1,589,871 |
| Restricted cash | 490,287 | — | 1,922,177 | 2,412,464 |
| Cash and cash equivalents | 82,612 | 330,942 | 1,244,564 | 1,658,118 |
| Other current assets | 3,971,334 | 221,246 | 13,450,781 | 17,643,361 |
| **Non-current liabilities** | | | | |
| Borrowings | 620,000 | — | 2,072,455 | 2,692,455 |
| DTL | 2,035,333 | — | 4,417,249 | 6,452,582 |
| **Current liabilities** | | | | |
| Borrowings | 200,000 | — | 1,054,837 | 1,254,837 |
| Other current liabilities | 9,420,086 | 254,174 | 27,639,626 | 37,313,886 |
| **Net assets** | 7,056,609 | 302,832 | 11,711,039 | 19,070,480 |
| Less: Non-controlling interests | (635,095) | — | (1,917,806) | (2,552,901) |
| **Fair value of the net assets acquired** | 6,421,514 | 302,832 | 9,793,233 | 16,517,579 |
| *(2) Cash impact* | | | | |
| Considerations settled by cash in current period | — | (1,695,320) | (4,235,471) | (5,930,791) |
| Cash and cash equivalents in the subsidiaries acquired | 82,612 | 330,942 | 1,244,564 | 1,658,118 |
| Net cash impact on acquisitions | 82,612 | (1,364,378) | (2,990,907) | (4,272,673) |

## 42 Disposal of subsidiaries

(A) The financial impacts arising from the disposals are summarised as follows:

| | Total<br>RMB'000 |
|---|---|
| Cash considerations received or receivable | 448,560 |
| Fair value of retained equity interest become joint ventures | 605,069 |
| Less: carrying value of the disposed subsidiary | (416,434) |
| Gains on the disposals (note 30) | 637,195 |

(B) The carrying values of the equity interests owned by the Group as at the disposal dates are summarised as follows:

| | Total<br>RMB'000 |
|---|---|
| **Non-current assets** | |
| PP&E | 2,809 |
| Intangible assets | — |
| Investment in a jointly controlled entity | 236,226 |
| DTA | 87,144 |
| **Current assets** | |
| PUDs | 14,605,487 |
| Completed properties held for sale | 91,009 |
| Restricted cash | 628,089 |
| Cash and cash equivalents | 1,938,696 |
| Other current assets | 12,066,027 |
| **Non-current liabilities** | |
| Borrowings | (5,940,000) |
| DTL | (545,535) |
| **Current liabilities** | |
| Borrowings | (1,308,140) |
| Other current liabilities | (21,479,586) |
| **Net assets** | 382,226 |
| Less: Non-controlling interests | 10,280 |
| Goodwill | 23,928 |
| Carrying value of the equity owned by the Group | 416,434 |

## 42 Disposal of subsidiaries *(continued)*

(C) The cash impact arising from the disposals in above transactions are summarised as follows:

| | **Total** |
|---|---|
| | **RMB'000** |
| Cash considerations received as of 31 December 2018 | 200,292 |
| Cash of the subsidiaries disposed | (1,938,696) |
| Net cash impact | (1,738,404) |

## 43 Related party transactions

### (A) NAME AND RELATIONSHIP WITH RELATED PARTIES

| **Name** | **Relationship with the Company** |
|---|---|
| Sunac International | Immediate Controlling shareholder of the Company |
| Mr. Sun Hongbin | Ultimate controlling party of the Company and the chairman of the Board of Directors of the Company |

### (B) TRANSACTIONS WITH RELATED PARTIES

In addition to the related party information disclosed elsewhere in the consolidated financial statements, the Group had the following significant transactions entered into the ordinary course of business between the Group and the related parties:

**(i) Cash advances**

| | **Years ended 31 December** | |
|---|---|---|
| | **2018** | 2017 |
| | **RMB'000** | RMB'000 |
| Cash paid to joint ventures and associates | **(115,927,541)** | (76,214,409) |
| Cash received from joint ventures and associates | **108,670,174** | 106,127,340 |
| | **(7,257,367)** | 29,912,931 |

## 43 Related party transactions

### (B) TRANSACTIONS WITH RELATED PARTIES *(continued)*

#### (ii) Interest income

| | Years ended 31 December | |
|---|---|---|
| | **2018** | 2017 |
| | **RMB'000** | RMB'000 |
| Interest income from joint ventures | **2,551,778** | 1,709,102 |
| Interest income from associates | **228,652** | 32,676 |
| | **2,780,430** | 1,741,778 |

### (C) COMPENSATION OF KEY MANAGEMENT PERSONNEL

| | Years ended 31 December | |
|---|---|---|
| | **2018** | 2017 |
| | **RMB'000** | RMB'000 |
| Salaries and other short-term benefits | **185,813** | 127,252 |
| Share-option scheme | **40,389** | 12,423 |
| | **226,202** | 139,675 |

## 43 Related party transactions *(continued)*

### (D) RELATED PARTIES BALANCES

| | **31 December 2018 RMB'000** | 31 December 2017 RMB'000 |
|---|---|---|
| **Amounts due from joint ventures** | | |
| – Interest free | **22,769,140** | 31,051,713 |
| – Interest bearing | **16,812,001** | 18,108,512 |
| – Interest receivable | **2,287,088** | 1,624,101 |
| | **41,868,229** | 50,784,326 |
| Less: Impairment provision | **(26,687)** | — |
| | **41,841,542** | 50,784,326 |
| Amounts due from associates | | |
| – Interest free | **3,249,475** | 8,946,787 |
| – Interest bearing | **8,647,532** | 2,680,889 |
| – Interest receivable | **378,924** | 164,045 |
| | **12,275,931** | 11,791,721 |
| Less: Impairment provision (note 4.1 (b)) | **(5,151,852)** | (1,493,257) |
| | **7,124,079** | 10,298,464 |
| | **48,965,621** | 61,082,790 |
| Amounts due to joint ventures | **57,176,851** | 84,464,115 |
| Amounts due to associates | **5,486,315** | 7,483,137 |
| | **62,663,166** | 91,947,252 |

The amounts due from joint ventures and associates almost have no fixed repayment date, bearing interest rate at 4.35% to 16% per annum for the year ended 31 December 2018.

The amounts due to joint ventures and associates are unsecured, interest-free and repayable on demand.

## 44 Dividends

The dividends paid in 2018 and 2017 were RMB 2,201 million (RMB0.501 per share) and RMB 991 million (RMB 0.257 per share) respectively. A dividend in respect of the year ended 31 December 2018 of RMB 0.827 per share, amounting to a total dividend of RMB 3,645 million, is to be proposed at the annual general meeting. These financial statements did not reflect this dividend payable.

| | Year ended 31 December | |
|---|---|---|
| | **2018** | 2017 |
| | **RMB'000** | RMB'000 |
| Proposed final dividend of RMB 0.827 (2017: RMB 0.501) per ordinary share | **3,644,638** | 2,200,773 |

## 45 Events after the balance sheet date

### (A) ACQUISITION OF BEIJING PROJECT AND SHANGHAI PROJECT

On 20 January 2019, a wholly owned subsidiary of the Company and Wuhan CBD Stock Company Limited entered into an agreement in relation to the acquisition of 100% equity interest in Oceanwide Construction Holdings Co., Ltd. (the "Target Company") for a payable consideration of approximately RMB 12.553 billion. The Target Company owns 100% interest in the Beijing Oceanwide International Project Land Lot 1 and the Shanghai Dongjiadu Project. As of 28 March 2019, the Group has paid 80% of the consideration and obtained the control of the Target Company.

### (B) ISSUANCE OF SENIOR NOTES

On 10 January 2019, the Company entered into a purchase agreement in connection with the issuance of US$600 million 8.375% senior notes due 2021 on the Singapore Exchange Securities Trading Limited ("SEST"). The senior notes will bear interest from and including 15 January 2019 at the rate of 8.375% per annum, payable semi-annually in arrears on 15 January and 15 July of each year, commencing 15 July 2019.

On 12 February 2019, the Company entered into a purchase agreement in connection with the issuance of US$800 million 7.875% senior notes due 2022 on the SEST. The senior notes will bear interest from and including 15 February 2019 at the rate of 7.875% per annum, payable semi-annually in arrears on 15 February and 15 August of each year, commencing on 15 August 2019.

On 20 March 2019, the Company entered into a purchase agreement in connection with the issuance of US$200 million 8.35% senior notes due 2023 on the SEST. The senior notes will be consolidated and form a single series with US$450 million 8.35% Senior Notes due 2023 issued on 19 April 2018. The senior notes bear interest from 19 April 2018 at the rate of 8.35% per annum, payable semi-annually in arrears on 19 April and 19 October of each year, commencing on 19 April 2019. The issue price was 102.3% of the principal amount of the senior notes, with effective interest rate of approximately 7.678%, plus accrued interest from (and including) 19 October 2018 (but excluding) 25 March 2019.

## 46 Balance sheet and reserve movement of the Company

| | Note | **31 December 2018 RMB'000** | 31 December 2017 RMB'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Investments in subsidiaries | | **17,609,759** | 17,235,346 |
| Derivative financial instruments | | — | 14,865 |
| | | **17,609,759** | 17,250,211 |
| **Current assets** | | | |
| Amounts due from subsidiaries | | **19,044,241** | 7,866,684 |
| Other receivables | | **1,005,108** | 6,159 |
| Derivative financial instruments | | **153,507** | — |
| Restricted cash | | **365,970** | — |
| Cash and cash equivalents | | **2,482,524** | 5,910,323 |
| | | **23,051,350** | 13,783,166 |
| **Total assets** | | **40,661,109** | 31,033,377 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity attributable to owners of the Company** | | | |
| Share capital | | **378,421** | 377,608 |
| Other reserves | (A) | **11,513,938** | 14,845,964 |
| Accumulated losses | (A) | **(7,473,459)** | (5,287,406) |
| **Total equity** | | **4,418,900** | 9,936,166 |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Derivative financial instruments | | **36,115** | — |
| Borrowings | | **20,958,037** | 11,691,551 |
| | | **20,994,152** | 11,691,551 |
| **Current liabilities** | | | |
| Borrowings | | **5,810,894** | 1,467,276 |
| Other payables | | **667,343** | 246,956 |
| Amounts due to subsidiaries | | **8,769,820** | 7,691,428 |
| | | **15,248,057** | 9,405,660 |
| **Total liabilities** | | **36,242,209** | 21,097,211 |
| **Total equity and liabilities** | | **40,661,109** | 31,033,377 |

**Sun Hongbin**
*Director*

**Wang Mengde**
*Director*

## 46 Balance sheet and reserve movement of the Company *(continued)*

### (A) RESERVE MOVEMENT OF THE COMPANY

| | Share premium RMB'000 | Share option reserves RMB'000 | Other reserves RMB'000 | Accumulated losses RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| **Year ended 31 December 2017** | | | | | |
| At 1 January 2017 | 3,717,227 | 259,565 | 1,416,348 | (3,940,993) | 1,452,147 |
| Loss for the year | — | — | — | (1,346,413) | (1,346,413) |
| Employees share option schemes: | | | | | |
| – Value of employee services | — | 210,370 | — | — | 210,370 |
| – Proceeds from shares issued | 263,044 | — | — | — | 263,044 |
| Proceeds from private placement | 9,970,751 | — | — | — | 9,970,751 |
| Dividends relating to 2016 | (991,341) | — | — | — | (991,341) |
| **At 31 December 2017** | 12,959,681 | 469,935 | 1,416,348 | (5,287,406) | 9,558,558 |
| **Year ended 31 December 2018** | | | | | |
| At 1 January 2018 | **12,959,681** | **469,935** | **1,416,348** | **(5,287,406)** | **9,558,558** |
| Loss for the year | — | — | — | **(2,186,053)** | **(2,186,053)** |
| Employees share option schemes: | | | | | |
| – Value of employee services | — | **291,035** | — | — | **291,035** |
| – Proceeds from shares issued | **42,277** | — | — | — | **42,277** |
| Purchase of shares for share award scheme | **(1,464,565)** | — | — | — | **(1,464,565)** |
| Dividends relating to 2017 | **(2,200,773)** | — | — | — | **(2,200,773)** |
| **At 31 December 2018** | **9,336,620** | **760,970** | **1,416,348** | **(7,473,459)** | **4,040,479** |

## 47 Benefits and interests of directors

The Directors' and senior management's emoluments are set out below:

| Name of Director | Fees RMB'000 | Salary RMB'000 | Discretionary bonuses RMB'000 | Share Options expenses RMB'000 | Employer's contribution retirement benefit scheme RMB'000 | Other benefits RMB'000 | Compensation for loss of office as director RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|---|
| **Year ended 31 December 2018:** | | | | | | | | |
| Directors: | | | | | | | | |
| Sun Hongbin | — | 7,750 | 9,675 | — | — | — | — | 17,425 |
| Wang Mengde | — | 7,143 | 9,350 | 4,007 | 38 | 56 | — | 20,594 |
| Chi Xun | — | 5,920 | 8,724 | 4,267 | 38 | 56 | — | 19,005 |
| Shang Yu | — | 5,190 | 7,970 | 3,773 | 41 | 57 | — | 17,031 |
| Jing Hong | — | 5,917 | 9,024 | 4,267 | 59 | 74 | — | 19,341 |
| Tian Qiang | — | 5,204 | 7,220 | 3,955 | 85 | 110 | — | 16,574 |
| Huang Shuping | — | 5,157 | 4,500 | 2,853 | 37 | 54 | — | 12,601 |
| Sun Zheyi | — | 1,700 | 1,290 | — | 55 | 35 | — | 3,080 |
| Zhu Jia | 380 | — | — | — | — | — | — | 380 |
| Poon Chiu Kwoh | 380 | — | — | — | — | — | — | 380 |
| Li Qin | 338 | — | — | — | — | — | — | 338 |
| Ma Lishan | 338 | — | — | — | — | — | — | 338 |
| **Year ended 31 December 2017:** | | | | | | | | |
| Directors: | | | | | | | | |
| Sun Hongbin | — | 5,688 | 6,300 | — | — | — | — | 11,988 |
| Wang Mengde | — | 5,544 | 6,400 | 1,233 | 35 | 54 | — | 13,266 |
| Chi Xun | — | 5,500 | 6,100 | 1,213 | 35 | 53 | — | 12,901 |
| Shang Yu | — | 5,000 | 4,200 | 970 | 41 | 56 | — | 10,267 |
| Jing Hong | — | 5,500 | 6,100 | 1,213 | 51 | 64 | — | 12,928 |
| Tian Qiang | — | 5,500 | 4,900 | 1,116 | 33 | 52 | — | 11,601 |
| Huang Shuping | — | 4,903 | 3,000 | 1,096 | 32 | 46 | — | 9,077 |
| Sun Zheyi | — | 900 | 298 | — | 51 | 32 | — | 1,281 |
| Zhu Jia | 355 | — | — | — | — | — | — | 355 |
| Poon Chiu Kwoh | 355 | — | — | — | — | — | — | 355 |
| Li Qin | 323 | — | — | — | — | — | — | 323 |
| Ma Lishan | 323 | — | — | — | — | — | — | 323 |
| Tse Chi Wai | 323 | — | — | — | — | — | — | 323 |

For the year ended 31 December 2018 and 2017, no housing allowance, estimated money value of other benefits, remunerations paid or receivable in respect of accepting office as director, emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking were provided by the Group to directors or chief executive.

The five individuals whose emoluments were the highest in the Group included five directors (2017: Five) for the year ended 31 December 2018, whose emoluments are reflected in the analysis presented above.

## 48 Subsidiaries

The following is a list of the principal subsidiaries at 31 December 2018 and 2017:

| Name | Date of incorporation/ acquisition | Nominal value of issued and fully paid share capital/ registered capital | Equity interests held | | | | Principal activities |
|---|---|---|---|---|---|---|---|
| | | | 31 December 2018 | | 31 December 2017 | | |
| | | | Directly | Indirectly | Directly | Indirectly | |
| **Incorporated in the British Virgin Islands:** | | | | | | | |
| Jujin Real Estate Investment Holdings Ltd. | 06 September 2007 | USD1 | **100%** | — | 100% | — | Investment holding |
| Dingsheng Real Estate Investment Holdings Ltd. | 06 September 2007 | USD1 | **100%** | — | 100% | — | Investment holding |
| Zhuoyue Real Estate Investment Holdings Ltd. | 13 September 2007 | USD1 | **100%** | — | 100% | — | Investment holding |
| Sunac Greentown Investment Holdings Limited | 25 April 2013 | RMB3,277 million | **100%** | — | 100% | — | Investment holding |
| Elegant Trend Limited | 17 July 2013 | HKD15.6 | — | **100%** | — | 100% | Investment holding |
| **Incorporated in Hong Kong:** | | | | | | | |
| Lead Perfect (HK) Investment Limited | 19 June 2018 | USD111 million | — | **55%** | — | 0% | Investment holding |
| **Incorporated in the PRC:** | | | | | | | |
| Beijing Raycom Sunshine Real Estate Development Co., Ltd. | 31 December 2016 | RMB250 million | — | **100%** | — | 100% | Real estate development |
| Beijing Sunac Construction Investment Real Estate Co., Ltd | 16 August 2010 | RMB10 million | — | **100%** | — | 100% | Real estate development |
| Beijing Sunac Hengji Real Estate Co., Ltd. | 27 September 2011 | RMB100 million | — | **100%** | — | 100% | Real estate development |
| Jinan Wanda City Investment Co., Ltd | 10 November 2017 | RMB2,000 million | — | **91%** | — | 91% | Real estate development, cultural and tourism city operation |
| Qingdao Calxon Real Estate Development Co., Ltd. | 31 December 2016 | RMB1,200 million | — | **100%** | — | 100% | Real estate development |
| Sunac Oriental Movie Metropolis Investment Co., Ltd. | 10 November 2017 | RMB3,000 million | — | **91%** | — | 91% | Real estate development, cultural and tourism city operation |
| Qingdao Sunac Yacht Industry Investment Co., Ltd. | 10 November 2017 | RMB1,000 million | — | **91%** | — | 91% | Real estate development, cultural and tourism city operation |

## 48 Subsidiaries *(continued)*

| Name | Date of incorporation/ acquisition | Nominal value of issued and fully paid share capital/ registered capital | Equity interests held | | | | Principal activities |
|---|---|---|---|---|---|---|---|
| | | | **31 December 2018** | | 31 December 2017 | | |
| | | | **Directly** | **Indirectly** | Directly | Indirectly | |
| **Incorporated in the PRC (continued):** | | | | | | | |
| Hangzhou Fuyang Sunac Real Estate Co., Ltd. | 07 March 2014 | RMB630 million | — | **100%** | — | 100% | Real estate development |
| Hangzhou Rongxinheng Investment Limited | 27 August 2013 | RMB10 million | — | **100%** | — | 100% | Investment holding |
| Hangzhou Rongyu Real Estate Co., Ltd. | 15 June 2016 | RMB1,800 million | — | **100%** | — | 100% | Real estate development |
| Hangzhou Sunac Greentown Real Estate Development Co., Ltd. | 29 September 2015 | USD102 million | — | **100%** | — | 100% | Real estate development |
| Hangzhou Yingzi Investment Limited | 27 August 2013 | RMB10 million | — | **100%** | — | 100% | Real estate development |
| Hefei Wanda City Investment Co., Ltd | 03 August 2017 | RMB2,000 million | — | **91%** | — | 91% | Real estate development, cultural and tourism city operation |
| Lemen Real Estate (Fuyang) Co., Ltd. | 30 August 2016 | RMB1,473 million | — | **100%** | — | 100% | Real estate development |
| Sunac (Shenzhen) Real Estate Co., Ltd. | 09 March 2015 | RMB10 million | — | **100%** | — | 100% | Investment holding |
| Guangzhou Wanda Cultural Tourism Investment Co., Ltd | 31 August 2017 | RMB4,000 million | — | **91%** | — | 91% | Real estate development, cultural and tourism city operation |
| Tianjin Sunac Ao Cheng Investment Co., Ltd. | 25 February 2003 | RMB222 million | — | **100%** | — | 100% | Real estate development |
| Sunac Real Estate | 31 January 2003 | RMB15,000 million | — | **100%** | — | 100% | Real estate development |
| Tianjin Sunac Dingsheng Zhidi Co., Ltd. | 04 January 2011 | HKD1,700 million | — | **100%** | — | 100% | Real estate development |
| Tianjin Sunac Mingxiang Investment Development Co., Ltd. | 06 April 2010 | RMB1,421 million | — | **100%** | — | 100% | Real estate development |
| Tianjin Rongzheng Investment Limited | 12 July 2013 | RMB504 million | — | **100%** | — | 100% | Real estate development |

## 48 Subsidiaries *(continued)*

| Name | Date of incorporation/ acquisition | Nominal value of issued and fully paid share capital/ registered capital | Equity interests held | | | | Principal activities |
|---|---|---|---|---|---|---|---|
| | | | **31 December 2018** | | 31 December 2017 | | |
| | | | **Directly** | **Indirectly** | Directly | Indirectly | |
| **Incorporated in the PRC (continued):** | | | | | | | |
| Tianjin Rongyao Real Estate Development Co., Ltd. | 07 March 2013 | RMB500 million | — | **54%** | — | 54% | Real estate development |
| Harbin Wanda City Investment Co., Ltd | 02 August 2017 | RMB2,000 million | — | **91%** | — | 91% | Real estate development, cultural and tourism city operation |
| Dalian Runde Qiancheng Real Estate Development Co., Ltd. | 06 December 2017 | RMB903 million | — | **100%** | — | 100% | Real estate development |
| Zhengzhou Dayou Yonggu Real Estate Co., Ltd. | 23 May 2016 | RMB200 million | — | **51%** | — | 51% | Real estate development |
| Zhengzhou Sunac Meisheng Real Estate Development Co., Ltd. | 17 March 2016 | RMB820 million | — | **70%** | — | 70% | Real estate development |
| Haikou Wanda City Investment Co., Ltd | 25 August 2017 | RMB2,000 million | — | **91%** | — | 91% | Real estate development, cultural and tourism city operation |
| Hainan Haidao Hangxiang Investment Development Co., Ltd. | 13 August 2018 | RMB981 million | — | **100%** | — | 0% | Real estate development |
| Wuhan Lianchuang Rongjin Investment Company limited | 30 November 2016 | RMB200 million | — | **100%** | — | 100% | Investment Holding |
| Changsha Raycom Real Estate Development Co., Ltd. | 31 December 2016 | RMB320 million | — | **75%** | — | 75% | Real estate development |
| Nanchang Wanda City Investment Co., Ltd. | 04 August 2017 | RMB2,000 million | — | **91%** | — | 91% | Real estate development, cultural and tourism city operation |
| New Richport Property Development Shanghai Co., Ltd. | 17 July 2013 | RMB2,250 million | — | **100%** | — | 100% | Real estate development |

## 48 Subsidiaries *(continued)*

| Name | Date of incorporation/ acquisition | Nominal value of issued and fully paid share capital/ registered capital | Equity interests held | | | | Principal activities |
|---|---|---|---|---|---|---|---|
| | | | **31 December 2018** | | 31 December 2017 | | |
| | | | **Directly** | **Indirectly** | Directly | Indirectly | |
| **Incorporated in the PRC (continued):** | | | | | | | |
| Shanghai Lvshun Real Estate Development Co., Ltd. | 01 July 2012 | RMB1,000 million | — | **100%** | — | 100% | Real estate development |
| Shanghai Sunac Real Estate Development Co., Ltd. | 18 December 2014 | RMB2,000 million | — | **100%** | — | 100% | Real estate development |
| Shanghai Xiangyuan Investment Holdings Limited | 03 May 2016 | RMB2,000 million | — | **100%** | — | 100% | Investment holding |
| Tianmao Real Estate (Nanjing) Co., Ltd. | 04 December 2015 | RMB520 million | — | **100%** | — | 100% | Real estate development |
| Yixing Sunac Dongjiu Real Estate Co.,Ltd. | 09 March 2010 | RMB1,100 million | — | **100%** | — | 100% | Real estate development |
| Wuxi Sunac Real Estate Co., Ltd. | 27 February 2004 | RMB204 million | — | **100%** | — | 100% | Real estate development |
| Wuxi Sunac City Construction Co., Ltd. | 11 May 2005 | RMB448 million | — | **100%** | — | 100% | Real estate development |
| Wuxi Sunac City Investment Co., Ltd | 10 November 2017 | RMB4,000 million | — | **91%** | — | 91% | Real estate development, cultural and tourism city operation |
| Chengdu Guojia Zhide Real Estate Co., Ltd. | 22 October 2015 | RMB1,375 million | — | **100%** | — | 100% | Real estate development |
| Chengdu Tianyi Real Estate Co., Ltd. | 23 November 2016 | RMB793.5 million | — | **100%** | — | 100% | Real estate development |
| Chengdu Wanda City Investment Co., Ltd | 05 September 2017 | RMB2,000 million | — | **91%** | — | 91% | Real estate development, cultural and tourism city operation |
| Chengdu Zhongyi Real Estate Co., Ltd. | 22 October 2015 | RMB200 million | — | **100%** | — | 100% | Real estate development |

## 48 Subsidiaries *(continued)*

| Name | Date of incorporation/ acquisition | Nominal value of issued and fully paid share capital/ registered capital | Equity interests held | | | | Principal activities |
|---|---|---|---|---|---|---|---|
| | | | **31 December 2018** | | 31 December 2017 | | |
| | | | **Directly** | **Indirectly** | Directly | Indirectly | |
| **Incorporated in the PRC (continued):** | | | | | | | |
| Chongqing Raycom Zhidi Real Estate Development Co., Ltd. | 30 November 2016 | RMB300 million | — | **100%** | — | 100% | Real estate development |
| Chongqing Sunac Shangfeng Real Estate Co., Ltd | 21 February 2011 | RMB1,200 million | — | **100%** | — | 100% | Real estate development |
| Chongqing Sunac Qiyang Real Estate Co., Ltd. | 18 September 2013 | HKD2,280 million | — | **100%** | — | 100% | Real estate development |
| Chongqing Sunac Shijin Real Estate Co., Ltd. | 12 December 2012 | HKD1,229 million | — | **100%** | — | 100% | Real estate development |
| Chongqing Sunac Kaixuan Real Estate Co., Ltd. | 18 January 2017 | RMB540 million | — | **100%** | — | 100% | Real estate development |
| Guilin Sunac City Investment Co., Ltd | 28 August 2017 | RMB1,500 million | — | **91%** | — | 91% | Real estate development, cultural and tourism city operation |
| Xishuangbanna International Tourism Resort Development Co., Ltd. | 04 August 2017 | RMB2,000 million | — | **91%** | — | 91% | Real estate development, cultural and tourism city operation |
| Kunming Sunac City Investment Co., Ltd | 10 November 2017 | RMB2,000 million | — | **91%** | — | 91% | Real estate development, cultural and tourism city operation |
| Chongqing Wanda | 31 January 2018 | RMB3,000 million | — | **91%** | — | 0% | Real estate development, cultural and tourism city operation |

## OUR REGISTERED AND PRINCIPAL OFFICES

*Registered Office*

One Nexus Way
Camana Bay
Grand Cayman KY1-9005
Cayman Islands

*Principal Place of Business in the PRC*

3/F, Building A3
Magnetic Plaza
Binshuixi Road
Nankai District
Tianjin 300381
PRC

*Principal Place of Business in Hong Kong*

Room 1707, 17/F
Alexandra House
18 Chater Road
Central,
Hong Kong

## PAYING AGENT

**Deutsche Bank AG,**
**Hong Kong Branch**
Level 60
International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

## TRUSTEE AND COLLATERAL AGENT

**DB Trustees**
**(Hong Kong) Limited**
Level 60
International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

## NOTE REGISTRAR

**Deutsche Bank AG,**
**Hong Kong Branch**
Level 60
International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

## OUR LEGAL ADVISORS

*As to U.S. law and Hong Kong law*

**Sidley Austin**
Level 39
Two International Finance Centre 8
Finance Street
Central
Hong Kong

*As to Cayman Islands law*

**Conyers Dill & Pearman**
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

*As to British Virgin Islands law*

**Conyers Dill & Pearman**
29th Floor
One Exchange Square
8 Connaught Place
Central
Hong Kong

*As to PRC law*

**DeHeng Law Offices**
12/F, Tower B
Focus Place
19 Finance Street
Beijing 100033
PRC

## LEGAL ADVISORS TO THE INITIAL PURCHASERS

*As to U.S. law*

**Shearman & Sterling**
21st Floor Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

*As to PRC law*

**Jincheng Tongda & Neal Law Firm**
10/F, China World Tower
No. 1 Jianguomenwai Avenue
Beijing 100004
PRC

## INDEPENDENT AUDITOR

**PricewaterhouseCoopers**
Certified Public Accountants
22/F, Prince's Building Central
Hong Kong

## SINGAPORE LISTING AGENT

**Shook Lin & Bok LLP**
1 Robinson Road
#18-00 AIA Tower
Singapore 048542